S. Hrg. 100-361, Pt. 2

SECURITY AND DEVELOPMENT ASSISTANCE

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

MARCH 12, 16, 23, 25, AND 26, 1987

PART 2

Printed for the use of the Committee on Foreign Relations

U.S. GOVERNMENT PRINTING OFFICE
78-155 WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

COMMITTEE ON FOREIGN RELATIONS

CLAIBORNE PELL, Rhode Island, *Chairman*

JOSEPH R. BIDEN, JR., Delaware
PAUL S. SARBANES, Maryland
ALAN CRANSTON, California
CHRISTOPHER J. DODD, Connecticut
JOHN F. KERRY, Massachusetts
PAUL SIMON, Illinois
TERRY SANFORD, North Carolina
BROCK ADAMS, Washington
DANIEL P. MOYNIHAN, New York

JESSE HELMS, North Carolina
RICHARD G. LUGAR, Indiana
NANCY L. KASSEBAUM, Kansas
RUDY BOSCHWITZ, Minnesota
LARRY PRESSLER, South Dakota
FRANK H. MURKOWSKI, Alaska
PAUL S. TRIBLE, JR., Virginia
DANIEL J. EVANS, Washington
MITCH McCONNELL, Kentucky

GERYLD B. CHRISTIANSON, *Staff Director*
JAMES P. LUCIER, *Minority Staff Director*

SUBCOMMITTEE ON AFRICAN AFFAIRS

PAUL SIMON, Illinois, *Chairman*

TERRY SANFORD, North Carolina
DANIEL P. MOYNIHAN, New York

NANCY L. KASSEBAUM, Kansas
JESSE HELMS, North Carolina

CONTENTS

THURSDAY—MARCH 12, 1987

Page

Simon, Hon. Paul, a U.S. Senator from Illinois, opening statement 1
Kennedy, Hon. Edward M., a U.S. Senator from Massachusetts 2
Kasten, Hon. Robert W., a U.S. Senator from Wisconsin 4
Stacy, Roy A., Deputy Assistant Secretary for African Affairs, Department of State 7
Saiers, Edward L., Deputy Assistant Administrator for East and Southern Africa 11
Shear, David, Director, International Cooperation Department, American ORT Federation 23
Upchurch, James E., Senior Vice President, Cooperative Housing Foundation . 25
Nicholaides, John, Director of International Agriculture, University of Illinois 27
Walters, Dr. Ronald, Professor of Political Science, Howard University 28
Eberstadt, Nick, Visiting Fellow, American Enterprise Institute, and Visiting Fellow, Harvard University Center for Population Studies 31

MONDAY—MARCH 16, 1987

Wrobleski, Hon. Anne Barbara, Assistant Secretary of State for International Narcotics Matters 42

MONDAY—MARCH 23, 1987

Glenn, Hon. John, a U.S. Senator from Ohio 67
Humphrey, Hon. Gordon J., a U.S. Senator from New Hampshire 75
Murphy, Hon. Richard W., Assistant Secretary of State for the Bureau of Near Eastern and South Asian Affairs, Department of State 89
Pelletreau, Robert, Deputy Assistant Secretary for International Security Affairs, Department of Defense 89
Norris, James, Agency for International Development 89
Motwani, Dr. Jagat, Executive Director, National Federation of Asian Indian Organizations in America 103
Zaidi, Nayyar, Washington Correspondent, Daily Jang 104

WEDNESDAY—MARCH 25, 1987

Abrams, Hon. Elliott, Assistant Secretary of State, Bureau of Inter-American Affairs 118
Galvin, Gen. John R., U.S. Army, Commander in Chief, U.S. Southern Command 120
Ink, Dwight A., Assistant Administrator of AID, Bureau of Latin America and the Caribbean 122
Trott, Stephen, Department of Justice 149
Wrobleski, Hon. Anne Barbara, Assistant Secretary of State for International Narcotics Matters 149

THURSDAY—MARCH 26, 1987

Ruppe, Hon. Loret M., Director, the Peace Corps 189
Josephson, William, President, the Peace Corps Institute, former General Counsel of the Peace Corps and member, the National Council of Returned Peace Corps Volunteers Advisory Council 210

Page
Siglin, Douglas, Chairman, The Returned Volunteer Planning Committee, Peace Corps' 25th Anniversary National Conference 214
Hansen, Katy, President, National Council of Returned Peace Corps Volunteers 216
Carroll, Timothy, Executive Director, National Council of Returned Peace Corps Volunteers 216

APPENDIX

Abrams, Elliott, prepared statement 464
Responses to questions by Senators 629
Democracy and the Debt Crisis: A Comment (article), This World, Summer 1986, by Nick Eberstadt 245
Dodd, Hon. Christopher J., a U.S. Senator from Connecticut, questions 599
Eberstadt, Nicholas N., prepared statement 545
Examples of Long-Term Peace Corps Program Impact (paper) 493
Famine, Development and Foreign Aid (article), Commentary, March 1985, by Nick Eberstadt 394
Feinberg, Richard E., Vice President, Overseas Development Council, prepared statement 472
Fox, J. Edward, letters from 519
Galvin, Gen. John R., prepared statement 535
Responses to questions asked 666
Glenn, Hon. John H., a U.S. Senator from Ohio, prepared statement 428
Hansen, Katy, prepared statement 507
Helms, Hon. Jesse, a U.S. Senator from North Carolina, questions 608
Helping Hand Won't Solve Africa's Problems (article), Wall Street Journal, September 17, 1987, by Nick Eberstadt 566
Humphrey, Hon. Gordon J., a U.S. Senator from New Hampshire, prepared statement 304
Ink, Dwight A., prepared statement 334
Josephson, William, prepared statement 567
Kasten, Hon. Robert W., Jr., a U.S. Senator from Wisconsin, prepared statement 251
Kennedy, Hon. Edward M., a U.S. Senator from Massachusetts, prepared statement 247
Motwani, Dr. Jagat, prepared statement 459
Murphy, Richard W., prepared statement 307
National Association of Realtors, prepared statement 524
Nicholaides, John J., III, letter from, to Senator Simon dated February 27, 1987 289
Norris, James, and Robert Bell, Deputy Assistant Administrators, Agency for International Development, prepared statement 439
Pakistan Stiffens on Atom Program (article), New York Times, March 22, 1987, by Steven N. Weisman 235
Peace Corps—Activities on Development Education (paper) 496
Presidential Statement on Ending Hunger in Africa (press release), Office of the Press Secretary, the White House 526
Renewal of a Partnership . . . Peace Corps and Higher Education 513
Restoring Purpose to American Foreign Aid (article), Heritage Foundation, 1985, by Nicholas N. Eberstadt 221
Ruppe, Loret Miller, prepared statement 482
Letter from, to Senator Pell, dated April 17, 1987 495
Responses to questions asked by Senator Cranston 596
Saiers, Lawrence, prepared statement 374
Sarbanes, Hon. Paul S., a U.S. Senator from Maryland, questions 576
Letter from, to Senator Simon, dated March 30, 1987 418
Siglin, Douglas, prepared statement 501
Stacy, Roy, prepared statement 253
Stoel, Thomas B., Jr., prepared statements 400, 414
Szekely, Deborah, President, Inter-American Foundation, prepared statement. 365
Responses to questions asked by Senator Pressler 628
Upchurch, James E., prepared statement 275
Walters, Dr. Ronald, prepared statement 291

Weicker, Hon. Lowell P., Jr., a U.S. Senator from Connecticut, prepared statement ... 372
Wrobleski, Anne Barbara, prepared statement ... 420
    Responses to questions of Senators ... 629
Zaidi, Nayyar, prepared statement ... 527

UNITED STATES ASSISTANCE FOR SUB-SAHARAN AFRICA

THURSDAY, MARCH 12, 1986

U.S. Senate,
Subcommittee on African Affairs
of the Committee on Foreign Relations,
Washington, DC.

The subcommittee met at 9:20 a.m. in room SD–419, Dirksen Senate Office Building, Hon. Paul Simon (chairman of the subcommittee) presiding.

Present: Senators Simon and Kassebaum.

Senator **Simon**. The subcommittee will come to order.

I am pleased to chair hearings on the administration's foreign aid request on Africa. I have a statement that I will enter into the record.

Opening Statement of Senator Simon

This morning we are holding a hearing on the administration's fiscal year 1988 foreign aid request for sub-Saharan Africa. No other region of the world finds itself in such a steep and steady economic decline as sub-Saharan Africa. Gross domestic product has declined annually since 1980. Per capita income, which has also fallen steadily, is now below the prevailing 1970 level. Per capita cereal production has decreased for the last 15 years while population growth rates have become the highest in the world. Today, one out of every four persons suffer malnutrition or severe undernourishment.

These frightening trends have been accompanied by a rise in public debt from $5 billion in the region in 1970 to $65 billion today. Servicing this debt costs African nations some $1.5 billion per year. Clearly, rebuilding Africa's infrastructure and addressing its development needs is a major challenge for Africans themselves and for the international community.

The administration is proposing the creation of a Development Fund for6fiscal year 1988.

Earlier this week, I introduced S. 701, The African Famine Recovery and Development Act, which would establish a separate authorization for aid to Africa for famine recovery and long-term development. This bill, which was drafted in consultation with Senators Kassebaum, Pell, Kennedy, Kasten, and Danforth, would authorize $600 million for fiscal year 1988 and $620 million for fiscal year 1989 in "no year" money. Of this, 30 percent is earmarked each fiscal year for health, population, and environmental activities with targets of 10 percent for each of these three sets of activities within the earmarked 30 percent.

This morning's hearing will focus on both the administration's request and alternative legislation. I am pleased to welcome our first panel consisting of three of my distinguished colleagues, Senators Ted Kennedy, Bob Kasten, and Lowell Weicker.

I am pleased to have Senators Kennedy and Kasten here as our first witnesses.

Let me also acknowledge the leadership that Senator Kassebaum has provided this subcommittee over these last years. It has been a positive influence, and I am grateful for that leadership, as are all of the Members of the Senate.

Africa presents all kinds of problems, but Africa also presents great potential, and we want to move on both the problems and the potential.

At this point, let me call on Senator Kennedy.

STATEMENT OF HON. EDWARD M. KENNEDY, A U.S. SENATOR FROM MASSACHUSETTS

Senator KENNEDY. Thank you very much, Mr. Chairman. I want to say what a pleasure it is for me to have the opportunity to be here with Senator Kasten appearing before your committee and to express our very sincere appreciation for the opportunity to speak briefly to you about two bills which affect southern Africa and which we believe will have or could have profound implications in terms of our country's interests in the region and most particularly about the hope for progress that can be made within those countries to help themselves.

There are two pieces of legislation which you have currently before your committee, and which have such importance with regard to southern Africa today.

Mr. Chairman, I will file a complete statement and simply will summarize, if that is agreeable with the Chair.

Senator SIMON. It will be entered into the record.

Senator KENNEDY. Thank you.

The first legislation, Mr. Chairman, is to try to help Africa recover from the drought and famine that has plagued it in recent years. The second is to help those nations confronting the challenge of South Africa and apartheid.

As you know, last year Senator Kasten and I introduced the African Famine Recovery and Development Act to establish a permanent, more flexible authority within the Foreign Assistance Act to deal with longer term assistance for Africa.

What we have basically tried to do is to examine in close detail the various programs in our foreign assistance program in the Sahel to use the evaluations that have been made by the Department and by church agencies and by, most particularly, OTA, to try to use the best of that particular experience and to make it available to the other areas of Africa threatened with famine.

Over the past several years, drought and famine conditions have spread through much of sub-Saharan Africa. We felt there was an urgent need to broaden and strengthen the authorities in our law to assist them in a more effective and sustained way. That is the purpose of the bill we have joined in sponsoring.

As in the Sahel a decade ago, this bill will help us move from an emergency relief effort to programs for rehabilitation and recovery and finally toward longer term agricultural development. As in the Sahel, we need a longer term authority in our foreign assistance program to launch this long-term effort to help African nations recover from drought and famine, to achieve agricultural development, and hopefully to become self-sufficient in food production.

We have come to this position, Mr. Chairman, as the current chairman of the Human Resources Committee, who has special interest in the problems of international health and international nutrition, and Senator Kasten, who has prime responsibility in the Appropriations Committee and oversight of the foreign assistance program. We were able to work out this joint proposal, which we hope you will give favorable consideration.

As important as the final dollar figures may be for Africa, I think equally important are the new authorities and new directions contained in our bill. The bill will finally give AID the flexibility it needs in the field to maximize the effectiveness of our foreign aid dollars. It will help the people in the field to deal with field problems.

The bill is also a gesture toward Africa. Last year in an unprecedented United Nations special session on Africa, the African countries courageously responded to calls for economic and cultural reforms. They pledged to make some hard choices if they were given a helping hand. This bill will extend America's hand. It will be a tangible response to the final recommendation of last year's special UN session and will allow us to more effectively join others in the international community in providing assistance to Africa.

The second bill before you today, Mr. Chairman, is to help continue our struggle against apartheid. Last year Congress passed the Anti-Apartheid Action Act of 1986, and today the United States stands as the world leader in the international campaign to end apartheid in South Africa and in passing strong economic sanctions against the Government of South Africa. Congress repudiated the policy of constructive engagement and sent a message to the people of South Africa that the American people are firmly on the side of freedom inside South Africa.

This year we need legislation which will help put flesh on the bones of last year's commitment. This year we are urging Congress to enlist the effort to preserve the independence and integrity of South Africa's neighbors who are besieged and beleaguered by the forces of apartheid.

In conclusion, we want to commend you for holding these hearings, for your own commitment to move expeditiously on the legislation which we believe gives substance to America's commitment to help Africans help themselves and to help them fight apartheid.

Thank you.

[The prepared statement of Senator Kennedy may be found in the appendix.]

Senator SIMON. I thank you very much.
Senator Kasten.

STATEMENT OF HON. ROBERT W. KASTEN, JR., A U.S. SENATOR FROM WISCONSIN

Senator KASTEN. Mr. Chairman, first of all thank you very much for inviting us to testify before you this morning in support of legislation which seeks to establish a long-term development strategy in Africa. I am particularly pleased that the leadership of this subcommittee as well as the chairman of the full committee has agreed to work with us in a bipartisan manner.

You mentioned Senator Kassebaum's work, and I think all of us are going in the same direction. I think that that is not only beneficial but even exciting.

I also think that we all owe a debt of gratitude to the many organizations outside of the Congress, especially the PVO community, who on this legislation and on a number of the concepts that are embodied in this legislation, seeking to establish a long-term development strategy in Africa.

Mr. Chairman, we have seen the willingness of the American people to come to the aid of the starving in Africa, but we can no longer afford to rely on one Band-Aid-type effort after another to ease the continuing crisis of hunger and of starvation. We need a new long-term view, a new long-term development strategy in our foreign assistance programs in Africa.

Most of the countries of Africa live literally at the edge of life. Their people are eeking out a bare existence on land resources, consistently pressured by drought, by poor agricultural practices, and by decertification. Clearly a special effort is required and, more clearly, we need a redirection in the way that assistance programs are carried out in that continent.

The legislation which was introduced last Tuesday is a start in that direction, and I know that both Senator Kennedy and I are anxious to continue to work with you in order to further improve this legislation.

I recognize there are elements of it which need to be refined, and of course we would like to try to be helpful in that effort before the committee marks up authorization legislation for the year.

I would like, if I could, to touch on two special areas of concern which I believe might require some modification. First of all, while our bill as introduced on Tuesday recognizes and underscores the role of policy reform and therefore program assistance, I might suggest that even a stronger emphasis to policy reform might be given in the final product.

Development experts have always recognized that the first prerequisite for development are good Government policies. Indeed, this is something which has been increasingly recognized by African leaders. In the UN General Assembly special session on Africa, the consensus developed among African leaders that economic policy reform is absolutely essential to reverse the present crisis on that continent; therefore, as we refine this legislation, I do think we might want to put more emphasis on policy reform.

In closing, Mr. Chairman, I would like to briefly comment on the earmarking in the legislation of no less than 30 percent for health, population, and natural resources. I support that compromise, especially as opposed to some of the propositions that have been made that we should specifically earmark various functional areas and perhaps even add additional earmarks for other functional areas.

One of the primary things that we recognized as we developed legislation last year, and that I recognized in the appropriations process over the past several years, was that a new approach to funding Africa programs was required in order to get away from some of the limitations on functional accounts. Simply replacing those with others it not what needs to be done.

I would hope that the legislation would go no further than what is in the introduced legislation on this particular earmarking issue.

Once again, Mr. Chairman, I would like to express my appreciation to you, to Senator Kassebaum, as well as to others for joining in this effort and giving this legislation an early hearing. I am optimistic, and we thank you for the opportunity to testify, but most importantly we thank you for the opportunity to work with you as we develop this important legislation.

[The prepared statement of Senator Kasten may be found in the appendix.]

Senator SIMON. I thank both of you for your leadership in this. I want to enter into the record a statement by Senator Weicker who also has been a leader in this effort.

[The prepared statement of Senator Weicker may be found in the appendix.]

Senator SIMON. I would like to ask just one question of both of you, a question that you will face in the Appropriations Committee, Senator Kasten, which I face in the Budget Committee.

Why should Africa get a priority as we are trying to squeeze down the spending money?

Senator KASTEN. Well, Mr. Chairman, I am not sure that we would characterize Africa as getting special priority. I think we could even argue that under certain circumstances in the overall foreign assistance account a number of African countries have in fact been shorted somewhat. This is a function of the 150 account, the fact that a huge amount of the resources there go, as they should, to the Camp David countries, to Egypt, to Israel, and to others.

As we have seen reductions in foreign aid over the past few cycles now, what has happened is the African countries and some of the other smaller countries around the world have taken a disproportionate share of the reductions because the money for Egypt, for Israel, and for other key areas of the budget are held relatively constant.

I think that Africa does deserve attention now in terms of giving her and giving our AID people the flexibility that they need. I think that we have been limited and limiting in our efforts. What we want to do is, No. 1, establish a long-term strategy that people can count on; and No. 2, to establish some flexibility so that we can do more with the limited resources available.

So, I would say that Africa is not seeking extra funding, if you will, but I think it does deserve close attention at this particular time because the reforms that we are talking about here, I believe, will make it more likely that we are able to get more value for the scarcest dollars that we are expending on the African Continent.

Senator **Simon**. Senator Kennedy.

Senator **Kennedy**. Mr. Chairman, I fully agree with my colleague. Let me make a couple of additional points.

Other than the issue of nuclear confrontation, I think the great moral issue that we are facing in the world today is apartheid.

The second bill that I addressed today and which Senator Weicker is a cosponsor, provides some resources for the "front line states" to ensure that we are going to, as we make policy declarations and statements about apartheid, demonstrate our commitment not only to speeches but to the financial resources of the American people in this area. If we do not demonstrate that kind of commitment, I think our statements and our policies have an empty ring.

So I think there is a need for special consideration for the front line states. The way in which our program is structured I think is balanced. It focuses on rail transportation and other features which are evident to the members of the committee.

Second, Mr. Chairman, we have to recognize that Africa is one of the few areas, if not the only area, in the world today where there has been a per capita decline in food production. There has been an increase in India which is now self-sufficient. India was the key area, I think, in the 1960's as to whether it was going to move toward communism or try to retain the elements of democracy.

Food was recognized as a key element in that struggle. I think the AID program in India is one of the great success stories. Too often we only hear the criticisms of our AID program—but it was successful there. We find today increased food production even in the Western Hemisphere, in South America and also in Asia, but there has been a decline in food production in Africa.

I think if we are going to look at a continent that is going to have to meet both its essential food needs as well as to try and deal with some of the other issues both in foreign policy and moral in nature, it does require special attention that we are seeking today.

Finally, Mr. Chairman, the problems of hunger as they were targeted in the northern part of Ethiopia and also Sudan, and which are now so evident in Mozambique today and were evident in the Sahel 10 years ago, we believe, as Senator Kasten has pointed out, that there is an organizational aspect which is of significance which our bill recognizes.

We have tried to take the best of our past experience, and we would hope quite frankly that if it is successful in this area in giving the kinds of flexibility to the field, those lessons will be applicable to other parts of the world and will result in more effective AID programs.

Those are just some additional thoughts.

Senator **Simon**. If I might follow up with just one quick question to you, Senator Kennedy. Senator Kasten commented that there are those who want to earmark everything. The present proposal has a 30-percent general earmarking for natural resources, for family planning, and for health.

Do you also think the 30 percent is a reasonable compromise in this whole area?

Senator **Kennedy**. I think it is a reasonable compromise, Mr. Chairman. I think there are others whose position I respect and whose experience in the area I have great admiration for will come to some different conclusions.

I think the judgment of this committee itself in reviewing this would be important, but we are basically balancing some conflicting views.

Senator **Simon**. I thank both of you not only for your testimony but for your leadership.

Senator **Kasten**. Thank you, Mr. Chairman.

Senator **Kennedy**. Thank you, Mr. Chairman.

Senator **Simon**. Our next witnesses are Mr. Edward L. Saiers, Deputy Assistant Administrator for East and Southern Africa from AID; and Roy A. Stacy, the Deputy Assistant Secretary for African Affairs of the Department of State.

Mr. Saiers, we will let you speak first.

Mr. **Saiers**. Thank you, Senator. I think the way we are organized to present our testimony, however, it might be better if Mr. Stacy went first.

Senator **Simon**. OK, and let me just add to all witnesses that we will enter your full statements into the record. We will try to restrict the informal statements to 5 minutes so that we can move into the question period.

Mr. Stacy.

STATEMENT OF ROY A. STACY, DEPUTY ASSISTANT SECRETARY FOR AFRICAN AFFAIRS, DEPARTMENT OF STATE

Mr. **Stacy**. Thank you, Mr. Chairman. I was raising my eyebrows here because I thought we were going to have a little longer than 5 minutes; however, I will try to rush through a few important points.

I am pleased to be with you this morning. Assistant Secretary Crocker regrets that he cannot be here this morning, as he is participating in the President's meeting with Kenyan President Moi.

So as to conserve the subcommittee's time, I will confine my remarks to a few observations and note where I believe events are likely to go from here in Africa.

First of all, however, I would like to call the subcommittee's attention to the White House announcement yesterday concerning the Presidential task force to end hunger in Africa. This series of actions culminates 5 months of intense interagency investigation of the approaches and the instruments we have to help end hunger in Africa. President Reagan has taken a personal interest in this exercise. He has reviewed the work and has approved a series of actions, and I would like to share with you some of the task force's recommendations.

First, there is a goal to help end hunger in the region through economic growth, policy reform, and private sector development. As I will elaborate later, we believe, as does the President, that the goal is reachable by the turn of the century.

I would also like to note that in response to the excellent supportive testimony from Senators Kennedy and Kasten that, as they have called for, the President's ending of African hunger program is intended as a long-term effort. One of the key actions in the task force's recommendations has already been sent to Congress in our fiscal year 1988 request. That is to establish a separate Africa fund for U.S. bilateral assistance in order to better sustain our help and partnership in rewarding economic performance.

In that regard, the task force felt that such a fund would give us a more flexible and qualitatively better response to the historic incentive-based economic reforms underway in Africa today, and I would like to return to that subject in a moment, Senator.

Second, the task force concluded that new efforts should be made to address Africa's heavy debt burden, such as by strengthening multilateral arrangements. In that regard, we would plan to work with all other donors within the framework of the Joint World Bank IMF policy framework papers to strengthen coordination through the negotiation of longer term structural adjustment programs.

Third, U.S. Food Assistance Programs will stress production incentives for recipient governments to better enforce economic reform and productivity. We will give greater attention to trilateral arrangements designed to encourage African production and to greater use of title II monetization where appropriate.

We will also work to improve African access to world markets, to reward positive export performance and to enable African countries to pay their own way toward economic growth.

The United States private sector will also be mobilized to complement African and donor efforts to expand private, voluntary, and corporate involvement of both a humanitarian and business nature.

Also, a high-level interagency coordinating committee will be created under the policy guidance of the Secretaries of State and Treasury to ensure that all United States activities, programs, and policies for sub-Saharan Africa are fully consistent with these program goals.

Mr. Chairman, it is not an exaggeration or overstatement to say that we believe a historic moment is at hand for the United States for forging a new economic partnership with Africa, one that will improve our responsiveness to a continent that is reaching out to America, asking for our wisdom and not just our resources; therefore, the President is to be commended for personally starting this White House task force on African hunger and for assuring that concrete actions were brought to his desk for decision.

I think most of the subcommittee would agree that Africa today is a contradictory landscape of new opportunities and worrisome dangers. Let me briefly sketch some encouraging signs, some positives that I see, for they should light the path of our relations and of our own national policies toward Africa in coming years.

At least 22 nations in sub-Saharan Africa have adopted economic reform and adjustment as a fundamental policy objective for the remainder of the century. Antigrowth biases are being removed, and the energies of individual initiative in the marketplace are being unlocked.

Both Congress and the administration can take pride in the success of our policy dialog with Africa and the strong emerging partnership between that continent and the West. We are all familiar with economic disaster scenarios often painted of Africa's future. These negative scenarios are no longer probable nor even likely. Despite formidable problems ahead, we believe we can see in 1987 concrete trends in Africa that are encouraging, even heartening.

Mr. Saiers will elaborate on the food situation as it is improving, but I would like to go on to a couple of other points.

Turning to southern Africa, the countries of that region have articulated a solid and impressive forward-looking agenda. U.S. policy toward the area also begins with a vision of a different future, one of positivism, one of building for the change that is coming, for there really is no other choice. Yes, success is going to be more difficult given continued conflict in Mozambique and Angola and in the poisoned atmosphere of sanctions and portentious recrimination.

In that regard, our position on southern Africa is not vague. Southern Africa needs no new loggers nor their modern manifestations. Spelled out in the clearest possible terms, southern Africa needs and is in fact asking for balanced regional growth, the unshackling of individual initiative and national competitiveness, and an end to false, unhealthy, and unnecessary dependencies.

The region is fraught with risks but ripe with opportunity. For one, the countries of southern Africa have established one of the most encouraging new institutions for economic cooperation in a developing world. SADCC, as it is called, may represent a particularly practical regional model concentrating on the solving of common problems and the exploitation of common assets.

Senator SIMON. Please go ahead and finish your statement even though the bell has rung.

Mr. STACY. SADCC's unifying principle is that vulnerability to change in external economic conditions is reduced when neighbors cooperate. The members of SADCC see apartheid not only as morally repugnant but also as monumentally wasteful in human and economic terms.

Paradoxically to SADCC, South Africa, under apartheid, represents a threat, whereas South Africa after apartheid represents a potential partner and an engine for regional growth. Accordingly, SADCC acknowledges that complete delinkage makes no sense, and we firmly agree.

The institutions of SADCC have produced bankable projects of serious intent and economic viability, particularly in transportation, food security, and research. SADCC as an institution could be accurately compared with the fledgling ASEAN.

Third, a regional and economic adjustment process is well underway with currency realignment, privatization of parastatals, and the freeing of interstate marketing and commerce. A growing positive policy climate for investment is emerging in virtually all of the member states of SADCC except for Angola.

We believe that these countries have turned a corner, but as with the rest of Africa, measures toward economic liberalization and reform must be sustained and deepened. Once they have taken firm root, the success of economic reform in southern Africa and a thriving SADCC will represent a serious setback for the Soviets and their fellow travelers.

Most basically, there is an unprecedented opportunity to affect political change in southern Africa through economic means in that we can open up the regional marketplace to more interstate commerce, investment, and economic exchange.

Southern Africa has an extensive interdependent system of roads and railways. The terms of trade in the region could be substantially improved by using natural and lower cost routes through Mozambique and Tanzania. Investing in rail and port development have high rates of economic return and could have a great impact on increased private sector economic activity throughout southern Africa.

Looking further ahead, the inhabitants and political leaders in southern Africa acknowledge an inevitable symbiosis of economic interest between South Africa and the periphery. SADCC needs capital goods, raw technology, and management from South Africa. That economy desperately needs water from its neighbors and in the last 2 years has had to import food from them as well.

Conversely, SADCC members have gained valuable experience in small farmer agriculture, primary health care, family planning and low-cost housing and education that will be invaluable as South Africa, as it must, opens the opportunities for full participation in economic growth to all of its citizens. We, as well as most southern Africans, want to build upon the healthy aspects of interdependence in that region.

These, Mr. Chairman, are a few of the brush strokes on our positive vision of southern Africa. There is urgently needed paint and canvas in our fiscal year 1987 supplemental request and in the fiscal year 1988 budget request.

Now, lest I be accused of blind optimism, we all know that opportunities also bring fresh dangers. I have listed some of those in my testimony submitted for the record. I will not go over them now, Mr. Chairman, due to the time, but I would like to conclude by saying that the importance of today's testimony is to emphasize that as Africa consolidates the turnaround, many of us, both on the subcommittee and in the administration have been working for, it is essential that we, the United States, not let Africa down by failing to do our part, by rationalizing on account of our own unquestioned painful budgetary stringencies of failure to fund vitally needed initiatives in southern Africa and for the continent as a whole.

Last year's appropriation request had to be cut because of Gramm-Rudman targets. As a consequence, we have come in for a small fiscal year 1987 supplemental to make whole the all too important South Africa program and the downpayment we need for the southern Africa initiative.

The administration's fiscal year 1988 request is somewhat above that of fiscal year 1987. I believe that it is absolutely imperative that it be funded in full if we are to play the role Africa expects of us and that we have set for ourselves.

I cannot refrain here from quoting a few lines from Secretary Shultz' testimony of yesterday. He said, "The President's foreign affairs budget might usefully be looked upon as a form of national insurance. In asking the Congress to devote only 2 cents out of every budget dollar to our foreign policy goals, the President has determined the minimum premium we must pay as a people to safeguard the peace and lead the free world.

"Those who would cut the foreign affairs budget even further are gambling needlessly with our Nation's future. No one can say for sure how large the gamble will be. We know we pay some price every day in terms of lost opportunities to influence events. Perhaps a crisis that could have been averted today by timely and relatively inexpensive military or economic assistance or through diplomatic efforts will explode in our faces the day after tomorrow."

I would simply add the United States is not so poor that it has to forgo this historic opportunity to help Africa develop freer economies, more democratic societies, nor are we so rich that we can afford the cost of today's opportunities lost if that should happen.

As Mr. Saiers will be commenting further on the situation and on the administration's proposal for a development fund for Africa, let me conclude, Mr. Chairman, and I do thank you for the extra time you have given me, by reemphasizing that the fiscal year 1988 request features a new approach to Africa.

That approach reflects many months of effort within the President's Africa task force, and it parallels in many ways the initiatives put forward last year in the Kennedy-Kasten bill and this year from the Congress in the House and now this subcommittee's legislation.

The fund for Africa represents a truly bipartisan executive and legislative branch effort. There are still important differences, particularly in the self-defeating earmarks and the inefficient micromanagement, but I am convinced that our work will be rewarded with watershed legislation that will be welcomed in Africa and remembered many years into the future as a farsighted and monumentally positive American response to Africa's outstretched hand of partnership. We seek to work with Congress in order to make sure that we do not fail in our efforts.

I would be pleased to elaborate or to respond to your questions, and if we do not get to all of them today, Assistant Secretary Crocker or myself would be pleased to meet with you or your staff to assure the fullest exchange of ideas and information.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Stacy may be found in the appendix.]

Senator SIMON. I thank you, Mr. Stacy.

Mr. Saiers.

STATEMENT OF EDWARD L. SAIERS, DEPUTY ASSISTANT ADMINISTRATOR FOR EAST AND SOUTHERN AFRICA

Mr. SAIERS. Thank you, Mr. Chairman. It is a pleasure to testify before you this morning. We believe the Simon bill moves us toward the administration bill, in that it furthers a more efficient approach to support the Africans' own efforts to achieve economic growth. We have appreciated the opportunities to confer with you and your staff members on this issue. The administration still has some concerns, but we do look forward to continued consultation with you about them.

We appreciate very much the comments of Senators Kennedy and Kasten this morning. Their commitment to Africa over the years is well known. The current administration bill, in fact, is patterned after the legislation they offered 2 years ago. It is patterned after the legislation Senators Kennedy and Humphrey offered in 1974 when they created the Sahel Drought Fund. This fund was notable, effective, and highly efficient because it contained no earmarks and a longer term authority.

I particularly wanted to thank Senator Kasten for his remarks this morning on the need for greater flexibility in our African programs.

Over the last several years of Africa Bureau testimony before this committee, we have had to focus on the economic crisis facing Africa. Five years ago only one or two countries on the continent had food surpluses. The process of economic restructuring from heavily state-controlled, consumption-oriented economies to more liberalized ones was barely discernible. Population growth rates were rising all over the continent with no end in sight.

To be sure, the picture today is not bright. Debt constitutes a crushing burden. Prices for Africa's traditional exports are not rising. Several countries are still recovering from a drought of historic proportions. All of these conspire to continue to shackle Africa's attempts to create more rapid income growth. The environment continues to deteriorate.

However, even with the intervention of the drought, there are some promising and measurable trends emerging in Africa and a few outright successes. Millions of lives were saved during the drought as quick action by host governments and donors alike responded to the problem. The U.S. effort of 6 million tons of food delivered to the continent between 1984 and 1986 at a cost of $2.2 billion is a remarkable achievement.

Locusts could have reached plague proportions last year across the continent but did not—3.8 million hectares of threatened land were sprayed. A U.S. contribution of $9 million played a catalytic role in that effort—80 percent of the grain in those areas was saved. The early warning systems are increasingly being put into place. Their use over time and their increasing calibration will make this an even better tool in the future.

In contrast to 5 years ago, a dozen or more countries in Africa now have food surpluses. After a generation of steady decline, per capita food production has bounced back to the level of a decade ago. Over all, there is a 2 million ton surplus of foodstuffs on the continent this year.

Fifteen years ago in my first AID assignment, I forlornly traversed Africa trying to convince planning, education, and health ministers of the need to recognize the demographic threat of such rapid population growth, but it was to little avail. However, today there are several countries where real progress is being made. Zimbabwe has achieved a contraceptive acceptance rate of 38 percent, whereas in 1976 it was only 5 percent. Botswana is now at a level of 28 percent compared to 8 percent. Kenya, the country that is always touted as that with the most rapid population growth of any in the world, has increased its contraceptive usage rate from 7 to 17 percent in the last 8 years, and in fact the population growth rate is beginning to come down.

Child survival programs are beginning to take hold. In Lesotho, 65 percent of children under age 2 are now immunized, and since 1981, 8.5 million children on the continent have received immunizations.

What is happening? Why are these trends changing? I believe it is largely because there was a growing recognition in the African countries themselves that something was badly amiss in their earlier approach to development. The UNGA special session on the African crisis is a coherent statement of that recognition. It focuses on the need for economic restructuring, on the need for improved agricultural production and incentives.

As we have been so often urged to do by Congress, the administration has taken its cue from the Africans. Yesterday, as Mr. Stacy outlined, the President announced an initiative to ending hunger in Africa which builds on that UNGA session that was developed by the Africans.

Central to that initiative is the Development Fund for Africa to take advantage of the rapidly changing environment in Africa and the opportunities that this change presents. The Development Fund for Africa eliminates the artificiality of putting funds into functional accounts and the ESF when Africa's development programs are interrelated.

The greatest threat to the environment still comes from population growth. The population and natural resource management funds and programs currently have to come from different functional accounts.

There is also the artificiality of focusing on dollars rather than on goals and objectives. We believe that in the Development Fund for Africa, there is an appropriate balance between project and program assistance. In some countries, such as Swaziland and Botswana, there is no need for nonproject assistance or balance of payment support. Project assistance is a more appropriate form of assistance there. In other countries such as Zambia, nonproject assistance would be more important.

In the Africa Bureau there is an increasing focus on sectoral plans to define better the problems and linkages and the goals and objectives in the various sectors rather than focusing on the dollars. We have submitted to you plans for natural resource management and child survival. We have had in place for over a year an agricultural research plan, and this process will continue.

We are also in the process of trying to evaluate the results better. It is an issue of longstanding with the Congress that we be able to demonstrate better the successes and the failures.

Finally, Senator, let me try to address some misperceptions on economic restructuring efforts. It has been couched sometimes as a back-to-the-trickle-down approach. It is not that at all. Investments of the 1960's and early 1970's were capital intensive in response to economic policies that encouraged such capital intensity. It is true that big industrial projects and large mechanized agricultural schemes did not better the lives of the poor, but what we are talking about with economic restructuring is changing the policies that cause the inappropriate investments and little distribution of the benefits of growth.

Changing the exchange rates in Zambia has led to oxen plowing moving from a position where it could not compete with mechanized agriculture to one in which the cost of oxen plowing is now 22 percent cheaper than mechanized agriculture, and there is good evidence that a process of "oxenization" is occurring in Zambia.

Small farmers now market 60 percent of the corn in Zambia compared to 20 percent before price reforms took place. The gross cash income of corn producers is up 370 percent in real terms between 1981 and 1985. In Somalia sorghum production moved from 140,000 tons in the 1970's to 260,000 tons in 1985. That is almost all produced by small holders. Maize production in irrigated areas moved from 107,000 tons in the 1970's to 280,000 tons in 1985.

Mr. Chairman, we would submit that those kinds of results are not trickle down. We believe that those kinds of changes are very conducive to making the grassroots programs and the broad-based economic development that we all want far more possible than they were before.

I would like to take this opportunity, Senator, to thank you for the opportunity to testify, and we would be pleased to respond to any questions that you may have.

[The prepared statement of Mr. Saiers may be found in the appendix.]

Senator SIMON. I thank you both.

First, you expressed some concerns on legislation. Let me say we are very open to your suggestions. Obviously we do not guarantee any suggestions are going to be accepted, but any specific modifications that either you or your agencies have would be welcome and will, I can assure you, weigh them heavily.

I would make just one general point, Mr. Stacy, and that is I think the very fact that Secretary Shultz visited Africa is, No. 1, a good signal to Africa and, No. 2, I think it is helpful internally to all of us, and I commend him for that visit.

Neither of you mentioned specifically the 30-percent figure we have in the legislation. Is this a reasonable compromise? Does this present any special problems to you?

Mr. SAIERS. We have some fundamental concerns with the process of earmarking in general. We are concerned that the proposed 30-percent earmark will limit our flexibility to focus on goals and objectives rather than on dollars spent, as I mentioned earlier. Moreover, I am not sure what would prevent it from becoming a greater percentage tomorrow or next year or the year after. I could conceive of a situation where within 2 or 3 years we would have virtually all of the funds for Africa earmarked again.

We will be back into the same boat of functional accounts that we are in today, but we would in fact be in worse shape because as part of our effort to build a coherent fund for Africa, we have tossed in most of the economic support funds that we have had for Africa that have no earmarks associated with them. The Sahel Development Fund had no earmarks associated with it, so we can conceive of a process where within a fairly short period of time we would be in a situation where we were bound more tightly in our programs than we are today.

We are also concerned about what the right number is for the earmark. I am not sure that any one of us knows whether 10 percent is the right number or 30 percent is the right number and so forth.

Finally, we are also concerned about definitional matters. It is not clear to us exactly how one defines natural resource management, or how one defines health in this sense. With these kinds of concerns, it seems to me that we go back to the problem of putting things into an artificial box in order to allocate dollars in a particular way.

What we have proposed in the administration's bill is that it is most important for us to demonstrate after the fact in a postaudit sense whether we are achieving common objectives in these areas as opposed to being able to demonstrate that we have spent this, that, or some other sum of money. That is really the position that we would have to take. I do not know how one is going to get away from those particular kinds of concerns.

Senator SIMON. You both mentioned SADCC and Zaire and Angola. Obviously there are problems in that area. The old SADCC countries do not want Zaire to become a member of SADCC. Angola obviously is an unsettled area where, at least as far as I know, any solution does not appear imminent.

I guess, No. 1, in Angola, Are we doing everything we can to move toward some kind of mediation or reconciliation and negotiated settlement there?

Mr. Stacy, I would address that to you.

Mr. STACY. Yes, I think the record is quite clear, Mr. Chairman. We have had continued diplomatic contacts with the Angolans which unfortunately have not been substantive discussions. We have been signaling to them for more than a year now our readiness to meet, to talk with no preconditions. It remains a fundamental part of our policy to seek peaceful solutions to the conflict in Angola and the withdrawal of all foreign troops as directly in the interest of all those concerned. So, we are prepared to talk at any time.

Regarding Zaire and SADCC, I think you are probably indicating some concern on the subcommittee's part about the administration's proposal that Zaire be included in the southern Africa initiative even though they are not formally or officially members of SADCC.

I would like to say that we see Zaire as a natural part of the economic geography of southern Africa. Illustratively, Zaire depends on something like 70 percent of its foreign exchange earnings through exports that take place through the southern part of the region. SADCC has already factored Zaire into most of its transportation planning, and they think that is correct.

I think the SADCC authorities understand that putting Zaire into this initiative reflects American concern that Zaire wants to participate in the economic interface of that region, but we are not trying to push Zaire through the door of official membership. That is a decision for the southern Africans to take when they are ready to do so.

There have been discussions between various front line state leaders and President Mobutu, and we hope that that exchange continues.

Senator SIMON. Well, you say we are sending signals to Angola, how are we sending signals? Are we being so discreet that these signals are not really being received?

Mr. STACY. No. We have had meetings with their diplomatic representatives principally in New York during the U.N. General Assembly session, plus we have had contacts through other intermediaries in Africa. They have indicated that they would like to talk to us. We have said "Fine, we are ready, what is the agenda." We have no preconditions, but, in fact, nothing substantive is ever put on the table. We will be redoubling our efforts in that regard, Mr. Chairman.

Senator SIMON. Mr. Saiers, do you have any further comment on the Zaire SADCC situation?

Mr. SAIERS. No, sir. I believe that the statement that Mr. Stacy gave is an accurate one. We are very concerned about the Zaire transportation situation. It is heavily dependent on the southern Africa region for getting its goods out, but it also begins to help clog up those transportation routes with its own materiel.

So, it is vitally important in planning for transportation in the southern Africa region that the Zaire portion of the requirements be taken fully into account. I think that can only be done by including them as part and parcel of this process.

Senator SIMON. Mr. Stacy, when Secretary Shultz goes to southern Africa, is it possible that something could be worked out for meetings with Angola leaders at that point?

Mr. STACY. As you know, Senator, the Secretary wanted to travel to southern Africa last year, but that trip was preempted by the negotiations at Reykjavik. His trip to southern Africa that he wants to take has not been planned at this time, nor has the country itinerary.

I would think the answer to that question would depend on perhaps a series of preliminary talks with the Angolans which we have not been able to conclude. So, that if the Secretary were ever talking to the Angolans, there would have to be something very fruitful that might come out of that. We would have to wait and see if we could have some substantive discussions early on before I think we could recommend to the Secretary that he travel to Angola.

Senator SIMON. If I may follow through, if some substantive talks can take place, if the Angolans are willing to do that prior to his trip, then such a visit is a possibility?

Mr. STACY. I am not sure that we would rule that out, but obviously what we are trying to achieve here is a negotiated settlement of the Namibia conflict and proceeding with U.N. Resolution 435. Certainly if we thought that we were close to that with the Angolans, I am sure that Secretary Shultz would want to be involved in the final push to achieve those longstanding objectives.

Senator SIMON. Both of you mentioned the debt burden of the African nations. How do you see this initiative relating to that?

Mr. STACY. The President's initiative on Africa?

Senator SIMON. Yes.

Mr. Stacy. Obviously the debt burden is a fairly complicated subject. We have identified a number of actions that could be taken in the near term, but we must emphasize that Africa's debt burden is principally multilateral, and the rescheduling of that is complicated and in many ways inappropriate.

Initially, we are going to begin working on ways to expand the structural adjustment facility of the IMF to try to replace the high-cost, short-term exposure of the IMF with an expansion of the structural adjustment facility. Also, there are ways now that Paris Club rescheduling can take place on the basis of a structural adjustment facility, and that will be an improvement.

We are continuing to work on the Paris Club framework to see if something else can be done because under the current rescheduling process there are fairly large balloon payments that are being pushed off into the future, and so we want to see what can be done in that regard.

We are principally going to work very closely with the multilaterals to strengthen the whole debt management area. I think to go any further than that, Mr. Chairman, I would have to say that the Treasury would have to be consulted. The area of debt is principally their responsibility, and we have no one here from Treasury today.

Mr. Saiers. Mr. Chairman, I would just like to add that we are also looking at it from the opposite side of the coin. After all, in the long run the only way to repay debt is to generate sufficient economic growth that that debt can, in fact, be serviced.

I think one of the important parts of the President's initiative is to focus on the long-term growth and development of Africa as the principal way in which over time this debt burden will be able to be handled.

Senator Simon. I have one more question, and then I will call on Senator Kassebaum for her questions.

One of our colleagues on the Foreign Relations Committee is very critical of any aid to Mozambique, saying we should not be aiding a Marxist government in any way.

How would you respond to that?

Mr. Stacy. Well, this could be a rather long subject.

Senator Simon. It may become a rather long subject. [Laughter.]

Mr. Stacy. Yes, I think one has to begin with the change, with the rather remarkable change that has been taking place in Mozambique both under the presidency of Samora Machel and now under the new president, Chissano.

Back in 1976 Mozambique was quite actively attempting to join COMECON. Since that time they have done a complete turnaround. They have joined the LOME convention. They have joined the IMF and the World Bank. They have completely turned toward Western institutions and Western states in terms of their economic philosophy. In that regard, they are undertaking a series of economic reforms. Some go back to 1983 when they began to privatize agriculture.

We can already see new production showing up in their cities from agriculture. They have just announced a series of economic reforms, including major devaluation, and privatization of parastatals. They are negotiating with a significant number of companies for private investments.

I could say that the Mozambique government is certainly one of the most cooperative governments in Africa in the way that it works with us. They have honored the Nkomati agreement fully, and as far as we are concerned this is a government that has moved toward a truly nonaligned status.

We think that Mozambique is key to the whole southern Africa region. It is a key to what happens to six landlocked countries, and we cannot responsibly assist those countries, our friends such as Botswana and Zambia, that are landlocked without also working with Mozambique.

Mr. SAIERS. Mr. Chairman, I would like to add that the evaluation of the AID program in general has shown it to have been very positive in helping to move Mozambique in a direction that we would all like to see it go. We have focused on providing inputs for private sector farmers.

Three years ago, if you went to the marketplace in Maputo there was nothing there. Now you go to the marketplace in Maputo and there is a plethora of fruits and vegetables and other produce that is being marketed, partly as a result of the inputs that we have made available.

There has been a 38-percent increase in the marketing by farmers that we have been able to help directly with our program. This has fostered turning land back to the private sector and moving away from the policies that were instituted during the first decade of Mozambique's independence.

It is probably not too farfetched to say that the overall privatization effort of moving things back out of state-controlled hands and into the private sector has perhaps gone farther in Mozambique than in almost any other country on the continent, though indeed it does have farther to go.

And this has happened in a very quiet way.

Senator SIMON. Let me reiterate what I said earlier right now about the leadership that Senator Kassebaum provided for this subcommittee over these past years. All of us in the Senate are grateful, and it is a pleasure to have you here, Senator Kassebaum.

Senator KASSEBAUM. Thank you, Senator Simon. My apologies for being late.

While I hated to give up the chairmanship of the subcomittee, I can think of no better person to give it up to than you, Senator Simon, as you have shown a dedicated interest in working with Africa and African issues.

Sometimes I feel a bit like a stuck record when I think about where the questioning has gone in the past 6 years. Many of the same issues come back around.

I was struck by the comment that I believe you made, Mr. Saiers, about growth and the focus being on trying to stimulate economic growth and privatization. These are worthy goals.

However, in view of the reality of the situation as it is country by country, I wonder if perhaps we should not be more sensitive to temporizing what we would wish to achieve and hope that those countries could achieve with what actually might be possible.

I am thinking for instance of Zambia which we have used as a good example over the past 6 years and cited for positive economic initiatives. And yet, President Kaunda's efforts to end subsidies have not been totally successful. I think in many of the countries there are fragile institutions and a structure which could easily be overthrown if changes are not carefully calculated and planned.

Given these questions, what priorities in U.S. assistance, and again I think it differs country by country do you see as you look forward the next couple of years?

For instance I have not heard a great focus on infrastructure. I go back to something I have said many times, which is that I believe that roads and communications are terribly important to the development of sub-Saharan Africa. Are there some priorities that you are focusing on in growth, other than just helping with transfer payments and so forth? I am concerned that such payments are often not a productive use of capital, as much of the money just goes back out of the country to pay debt and so forth, without any productive use.

Mr. SAIERS. Senator, I think you are exactly right on the downside risks of this policy reform agenda. It is a very sensitive issue. The kind of restructuring that Africa requires means that there are fundamental changes in economic relationships within those countries, and one cannot always predict exactly how they are going to work out.

On the issue of Zambia per se, it is clear that the reform program in Zambia has had the desired effect on production. Ever since copper prices stagnated a decade ago, Zambia has had negative income growth.

In 1985, however, they reached a positive per capita growth level for the first time since 1975. And it was not driven by copper prices. The growth in the early decade of independence really was driven by copper. There has been in the last 3 years a 30-percent increase in agricultural production, primarily by small holders.

In 1985 there was a 9-percent increase in industrial production, which again is an unprecedented turnaround. There are clearly problems. The speed with which reforms can take place has to be taken into account, what the political market in fact will bear.

I believe that is increasingly recognized. On the question of priorities and where we go beyond looking at trying to make sure that the economic restructuring stays put, between now and the end of the century we will still put a primary emphasis on the agricultural sector, where most of the growth and broad-based development will have to come from.

But I think we are moving from a position where we have worried so much about the pricing issues and the incentive issues to one of worrying more now again about questions of marketing.

That gets to the infrastructure questions. What we see now is a food surplus in many countries in Africa, yet there are requirements for food assistance in parts of those same countries. And part of that problem has to do with the economic cost of transporting food from one part of the country to another.

So, I think we are looking more broadly in the agricultural sector to those kinds of marketing issues, as well as to continuing our effort on agricultural research to increase the technological capabilities of those countries.

I might add that one of the hindrances to our getting more into the infrastructure area has to do with the functional account process, where funds earmarked for health, population, or agriculture, for that matter, preclude or make more difficult our involvement in some infrastructure projects.

We think with the more flexible approach to development that we are all seeking for Africa this year, those kinds of problems will be alleviated. But the World Bank has taken the lead, I think, in pushing for rehabilitation of infrastructure as a key theme that has to be played.

I think all donors are in basic agreement that the cost of transporting or in some cases impossibility of transporting is a great hindrance to expanded economic development.

Mr. STACY. Might I add something to that, Senator. The southern Africa initiative that we have proposed is an interesting case study in that regard. We have suggested that the regional program focus on an overlay of three areas: policy reform, transportation, and intra- and extra-regional trade.

Some of the colleagues that we work with in the House are somewhat critical of the policy reform area, I think taking a rather narrow view that policy reform is not officially part of SADCC's agenda. I think that really is a wrong view, because with the landlocked countries in southern Africa policy reform will open up new opportunities for investment, including domestic savings and investment.

But if the transportation systems do not work, that investment will not take place and growth will stagnate. At the same time as these countries are expanding their agricultural production—and they are; Mr. Saiers has cited some things in Zambia that are very encouraging—unless they can competitively move out their agricultural products to the coast, to the sea, all of the progress that they are making in small farmer productivity and income generation will stagnate and even collapse.

So these areas of policy reform, transportation, and trade are critically related. And if you take one of the pieces out, the puzzle does not work. So, I hope as we move forward with the southern Africa initiative, we will see how fundamentally transportation plays a role right down to the productivity and added income of the small farmer.

Senator KASSEBAUM. Thank you, Mr. Chairman.

Senator SIMON. I have just one final question. You mentioned, Mr. Saiers, Zimbabwe and your Zimbabwe experience. Why is Zimbabwe relatively more successful than some of the other countries?

Mr. SAIERS. Well, Senator, I think first and foremost Mr. Stacy probably has a better answer for this, because he was the AID mission director in Zimbabwe.

Senator SIMON. I am interested in both of your answers.

Mr. STACY. And I value his opinions.

Mr. SAIERS. Getting back to Senator Kassebaum's question, I think one of the fundamental things that Zimbabwe has that many of the other African countries do not have is an infrastructure system that basically works, so that inputs get out to small farmers, the extension service can operate, and so that there is a basic set of economic infrastructure in place that functions.

I think that answers a lot of the questions of how Zimbabwe works. But I would turn to Mr. Stacy for others.

Mr. Stacy. I would generally agree with that. You can see in Zimbabwe, even in some of the most remote areas, that farmers had access to seeds, fertilizers, and inputs, usually at a store that was even within walking distance. Marketing depots were set up in which farmers in practically every corner of the country had reasonable access to marketing, and marketing systems are fundamental.

In addition, I think it is important to note that Zimbabwe, for all of its socialist rhetoric, really has been following a fairly conservative set of economic policies, and certainly monetary policies and debt policies. The country decided that redistribution of assets or redistribution of income was not the answer, but redistribution of opportunity was fundamental.

I think that the minister of development put it very accurately one time. He said: "Growth without equity is unacceptable, but equity without growth is disaster." That was sort of the way that Zimbabwe has put into place its policies.

Having said that, Zimbabwe, for all of its infrastructure and its industrial capacity and its agricultural capacity, is terribly vulnerable to the fact that they are landlocked. We must bear in mind that Africa has more landlocked countries than any other part of the globe, and egress to the sea is essential.

Without it, even Zimbabwe's economic growth will have difficult times ahead.

Senator Simon. Is the administration thinking at all of evaluating the possibility of resuming aid to Zimbabwe?

Mr. Stacy. The current situation in Zimbabwe, Senator, is that we are not signing any new agreements with the government. In fact, the family planning program—which is very encouraging and we think one of the models in Africa, and many African countries look at it as a model that they are studying—we are continuing to channel resources into that.

As regards regional programs, Zimbabwe is still eligible, and we would certainly see Zimbabwe as a participant in the initiative we have put forward. In many ways, we might be able to help Zimbabwe best through an effective and coherent regional program.

I do not think we would rule out future bilateral assistance. I might note that a new Ambassador has gone out and in recent months I think there has been a decided improvement in our political dialog, and we are encouraged that we are talking now and cooperating together on the political front.

Obviously, it is more difficult to start things up, especially in the budget constraints of the present time. But we would not rule that out in the future.

Mr. Saiers. Mr. Chairman, I would just add that the funds that had been committed prior to the July 4 incident, are still being utilized. The development programs that we had going in Zimbabwe are continuing to live off the pipeline right now.

There is still something on the order of 40 million dollars' worth of resources that remain to be disbursed and that are being drawn down on a continuing basis. But the fundamental development programs that we had been cooperating with Zimbabwe on are continuing for the time being, at least until those funds run out.

They are being disbursed at about $20 million a year at this point.

Senator SIMON. Senator Kassebaum, did you have another question?

Senator KASSEBAUM. Yes, thank you. This may have been asked, but I am curious about your including Zaire in the southern Africa initiative. Did you ask about that?

Senator SIMON. We probed that a little bit.

Mr. STACY. I would be happy to go into it a little bit further for you, Senator.

Senator KASSEBAUM. No, do not do that. I can get it from the record. But I do wonder about that, because normally one does not think of Zaire as part of the SADCC countries, as part of that arrangement.

Mr. Stacy, you mentioned exports as being very much a part of the administration's program, one of the key items of the administration's hunger effort. What did you have in mind in this area?

Mr. STACY. I think what we are going to do is—we have the coordination unit that is being set up—we are going to try to communicate and encourage African countries to take full advantage of the GSP, which is not being done for the moment.

And we are going to coordinate with other donors to ensure better market access for African exports. We are also going to work with OPIC. There is an Africa growth fund that has now been put together in OPIC.

As far as further actions, I think we will have to wait until this coordinating group that is being set up under Administrator McPherson's chairmanship starts work. I think we are particularly concerned about the 20 years of declining intra-African trade, and that is a fundamental part of the problem.

Improving the capacity of African countries to trade with each is a first step. Greater trade with the outside world is also an important step. But as you correctly noted earlier, transportation efficiencies—that is, without them we may only be able to effect trade to a limited degree.

The primary products that so many countries are relying on, the commodity market has really gone bust, and in many cases diversification away from primary products or finding ways to get greater value added is a necessary precondition to expanding their exports into the outside world.

So, I do not want to suggest that this is going to be an immediate thing or a magical thing. It is not. It is going to require a great deal of systematic work to expand investment.

Senator KASSEBAUM. I am particularly pleased to hear your comment on intra-Africa trade. I think that is terribly important.

Thank you, Mr. Chairman.

Senator SIMON. We thank both of you for being here and giving us your testimony.

Our next panel consists of: David Shear, the director of the International Cooperation Department, the American ORT Federation; James Upchurch, senior vice president and regional director for

Africa, Cooperative Housing Foundation; John Nicholaides, director of international agriculture, University of Illinois; Ronald Walters, professor of political science at Howard University; and Nick Eberstadt, visiting fellow, American Enterprise Institute, and a visiting fellow at the Harvard Center for Population Studies.

We will enter your formal statements in the record. If you can try to keep your informal statements to 5 minutes, it would be much appreciated.

Unless Senator Kassebaum has an objection, we will hear from all four of our panelists before we ask you our questions.

Mr. Shear.

STATEMENT OF DAVID SHEAR, DIRECTOR, INTERNATIONAL COOPERATION DEPARTMENT, AMERICAN ORT FEDERATION

Mr. **Shear**. Thank you very much, Mr. Chairman and Senator Kassebaum.

As chairman of the InterAction Legislative Working Group, I am pleased to testify in support of the Africa Famine Recovery and Development Act. The 114 member organizations of InterAction have been working toward a special legislative initiative for Africa over the past 2 years.

Our desire for new legislation tailored to Africa's special needs was based upon the opportunity to build upon the recent public interest and congressional support caused by the exceptionally difficult circumstances in which African nations find themselves, created by drought and foundering economies.

We were strongly motivated by a belief that an opportunity now exists to provide help of a new kind and a new magnitude.

The recent drought and famine and similar natural catastrophes of the 1970's have highlighted the continuing vulnerability of Africa's agricultural production systems. Poor overall economic performance from the mid-1970's to the present has also shown the need for major policy reforms and economic restructuring.

These two separate but related phenomena now provide the African nations with an opportunity to turn these natural disasters and policy failures into a positive continentwide effort.

In light of these developments, InterAction, the organization representing almost all of the major American private voluntary agencies working overseas, proposed a major restructuring of the United States assistance programs in Africa. The legislative concept paper developed by the special InterAction working group recommends continuation of some aspects of the current program and builds upon the new directions found in Section 102 of the Foreign Assistance Act.

The InterAction recommendations for new legislation concentrate, however, on the core impediments to African development. The proposed special legislation would focus AID's efforts on agricultural production, with a marked emphasis on food production, concentrating on the small farmer, that is the farm family.

Our program would acknowledge and build upon the overexploited and underappreciated role of women in the agricultural production system. It strongly supports increased efforts in family planning and health. We are certain that such an approach can lead to an increase in rural income and to a more equitable distribution of that income.

The Africa Famine Recovery and Development Act contains many of these InterAction recommendations. The current bill also reflects an even wider spectrum of public interest and support than was evident when we started this process a year ago.

This is the result of a remarkable consultative process by both the House and the Senate staffs. InterAction is also heartened by the fact that the administration is proposing a bill which contains many of the elements already in the Senate and House versions. This means that a basic consensus on how the United States can help to address African development needs is growing and that it can be very powerful.

It will be important, however, to resolve certain gaps and differences amongst these three versions. I would like to present InterAction's views concerning some of these differences.

Both the Senate and the House bills eliminate the functional accounts per se, but retain a 10-percent earmarking for programs in health, population, and environment. We understand that this is a major issue with AID and the administration, and that the agency would prefer no earmarks at all.

While the InterAction membership agreed on the elimination of all functional accounts last year and we still do, many did so with some reluctance, since there was a concern over the intent of AID to press for increased projects and programs in the three critical and interrelated areas that I just mentioned.

As a result, there is now a near consensus that the legislation needs to contain some provision for assuring adequate resources will indeed be provided to health, population, and the environment.

Further, the administration and the Senate version of the legislation does not deal with the issue of debt relief. The House version, House Resolution No. 1199, contains an imaginative, if partial, response to this great problem which overhangs African efforts to renew real growth.

We appreciate the fact that AID alone within the executive branch cannot deal with this issue. This, however, should not be an excuse to ignore the debt problem and not come to grips with it.

We would also urge the Senate to retain the strong language in House Resolution No. 1199 which directs and encourages AID to develop strategies, programs, and projects in direct consultation with local populations and at the village level, with African PVO's, and also to use the enormous experience and field capacity of the American PVO community to further this effort.

The 5-year authorization of no-year funds in the House version will increase the policy effectiveness of these programs, since funds scheduled for support of specific policy reforms can be committed for several years at a time. Nothing discredits U.S. assistance efforts more than the inability to deliver after it has succeeded in getting the recipient country to agree on difficult policy changes.

We believe, therefore, that AID should welcome both the policy emphasis of these bills and the multiyear framework found in the House version. We also would encourage the Senate to also provide a 5-year authorization.

We find that the reluctance of the authorizing committee to forego a review of the original authorization for less than 5 years should be somewhat mitigated, since the committee would have an opportunity to review AID's compliance with the new legislation in the context of periodic reports and a legislatively imposed evaluation.

I cannot emphasize too strongly the need for this legislation, which is uniquely tied to Africa's development constraints and to the special nature of the efforts needed. We now have an opportunity for an alliance between the most technically and economically advanced country in the world and the globe's poorest continent.

For such an alliance to grow and prosper, there needs to be a clear acknowledgment of the unique character of Africa's problems and the long-term framework required for these problems to be resolved. By placing this alliance on a firm planning and financial foundation, this Senate bill provides the policy framework, the resources, and hopefully the time needed to achieve success.

[The prepared statement of Mr. Shear may be found in the appendix.]

Senator SIMON. Thank you very much, Mr. Shear.

Mr. Upchurch.

STATEMENT OF JAMES E. UPCHURCH, SENIOR VICE PRESIDENT, COOPERATIVE HOUSING FOUNDATION, ACCOMPANIED BY TED WEIHE, EXECUTIVE DIRECTOR, U.S. OVERSEAS COOPERATIVE DEVELOPMENT COMMITTEE

Mr. UPCHURCH. Mr. Chairman, thank you very much. I appreciate the opportunity to testify before your subcommittee on foreign assistance to Africa. I have a prepared statement which I hope will be submitted for the record, as you have requested. I will try to be brief.

Senator SIMON. It will be submitted for the record.

Mr. UPCHURCH. Thank you.

Our prepared statement does provide some background on the Overseas Cooperative Development Committee. Our organization was founded in 1961 and consists of senior representatives from 20 U.S. cooperative organizations and the World Council of Credit Unions. More than 60 million Americans are owner-members of these cooperative organizations.

The Overseas Cooperative Development Committee goal is to provide a focal point for private sector U.S. cooperative organizations in their international work, and we hope to establish or strengthen cooperative organizations in developing countries by adapting some of the self-help techniques that have been so successful here in the United States.

The main point that we would like to make today, Mr. Chairman, is to underscore the support of the United States cooperatives for increased United States assistance to Africa and to offer some suggestions for improving the proposed legislation, which refocuses United States development programs in Africa.

Frankly, Mr. Chairman, I think that our concerns perhaps have more to do with the wording of some of the proposed bills than the intent of the authors, and to assist you with this we have included with our prepared testimony some suggested rewording of the bills.

We would agree with the previous speakers that there is evidence we are entering a new era of opportunity for Africa, and this is a time when many African countries are reconsidering their failed policies and moving toward approaches suggested by Western development agencies. We firmly believe that the United States be prepared to respond at this critical time with an adequate level of development resources.

We are also extremely concerned about the African food crisis. Our cooperative members are working at the grassroots level in Africa to improve food production, distribution, and marketing.

So, despite our support for this emphasis on grassroots agricultural productivity, we feel that there is a weakness in the development strategies of the Simon and administration bills, because they do not allow adequate flexibility for including some larger scale programs that are needed. Limited initiatives on larger scale infrastructure programs are needed to overcome certain key developmental gaps. There is a broad agreement that it was an incorrect policy for some African countries to have invested some of their limited resources in capital intensive investments. We can cite you steel plants where there were no steel markets or materials, and go on for days on this. But it may be equally unproductive for us to go to the other extreme and eliminate any U.S. role in appropriate larger scale investments in infrastructure.

We believe that a sound development strategy must address the long-term African need for communications, electricity, irrigation, roads, housing, and other community services. As I say, we do agree that rural development is critical and it should be the focus of AID's efforts. But the Africans living in cities and small towns will also have employment, health, housing, and education problems that have not been addressed in the bill.

We do not think that any serious comprehensive African development program in these sectors can be effectively carried out without addressing these problems in both the urban and rural sectors. We should note that by the year 2000, according to UN reports, 36 of 48 African countries will have more than 30 percent of their populations in urban areas.

This will occur, Mr. Chairman, whether or not we are successful in our population programs and all of our other efforts. In fact, by the year 2000, 200 million Africans will be living in urban areas.

We believe it is important to be flexible in defining sectors that should receive U.S. aid, because there are very critical interrelationships between sectoral problems. For example, shelter is a basic human need and it is not mentioned in the proposed legislation. Yet housing is often the key to improving health, education, employment generation, et cetera.

Mr. Chairman, I could talk on this subject for the rest of the day, but I will relinquish the rest of my time in the interest of questions later.

[The prepared statement of Mr. Upchurch may be found in the appendix.]

Senator SIMON. Thank you very much, Mr. Upchurch.

Professor Nicholaides, we are pleased to have you here from the State of Illinois.

STATEMENT OF JOHN NICHOLAIDES, DIRECTOR OF INTERNATIONAL AGRICULTURE, UNIVERSITY OF ILLINOIS

Mr. NICHOLAIDES. Thank you, Mr. Chairman. I am pleased to be here with you and am honored and delighted to have been asked to give testimony on this urgent and extremely important topic.

I am here on behalf of not only my university, the University of Illinois, but also the National Association of Land Grant Colleges and Universities. My message will be simple and straightforward. I am not going to present a lot of facts and figures, but rather a couple of high points.

We are all aware, as has already been testified this morning, that Africa is indeed a continent in crisis. Senator Kennedy mentioned that it is the only region of the world where per capita food production is declining, and that is true.

For this and a number of other reasons, you are considering this landmark legislation, much to your credit. There are large amounts of money being referred to in this legislation. Secretary of State Shultz has referred to $1 billion. The Wolpe bill refers to $600 million. Senator Simon, your bill is the same level.

But just as important as the money, without which the work cannot be done, is the proper strategy for utilizing the dollars in the most efficient way to effect desired changes. Certainly some of the recommendations in the bills move toward those ends.

Agricultural production, natural resources, health, population are all stressed. Indeed, there are earmarks for the latter three: natural resources, population, and health.

There is strong reference made to concentrating many of the resources in PVO organizations and, as a former Peace Corps volunteer, I will be the last to contest the good that volunteer organizations, both governmental and private, can do.

Yet, I cannot help but feel concerned, indeed very concerned, that one of the major resources that this great country has at its disposal to help solve the problem is not yet considered in this pending legislation. And that is the involvement of the U.S. land grant universities and colleges.

In the 1950's, India was referred to as the basket case of the world, a disaster waiting to happen. Today, though still beset with many problems, India has a degree of self-reliance in food and, as the world's largest democracy, has a much brighter future than it did 30 years ago.

What happened to bring about this change? India has already been mentioned as an example this morning—but I want to go into some details on this. In the fifties and sixties, six United States land grant institutions, mine being one, with United States funding sent to India outstanding and dedicated scientists and administrators with the goal of establishing a land grant university system in India, and they did it, not alone but working with their committed and dedicated Indian colleagues.

In fact, they did it so well that 2 years ago Dean Rusk remarked in a speech that in his opinion the most successful piece of foreign policy ever implemented by the United States Government in our 200-plus year history was the establishment of the land grant system in India.

There are some who feel that had the same commitment been made in Africa at the same time, that continent today would not be undergoing the type of problems it now faces. I am not naive enough to subscribe completely to that theory. However, I am as convinced as I am that I am sitting here today and that the sun will rise tomorrow, that the land grant universities will be a major factor in the solution to the problem that is faced by Africa.

Therefore, I ask you to strongly consider inclusion in your legislation of an African agricultural universities development fund, as I have outlined in my February 27, 1987 letter, attached for the record, to concentrate some of our limited resources in establishing land grant centers of excellence, an aristocracy of talent in Jeffersonian terms, which would serve not just one, but several countries within a given region, to create the mechanism for long-term, sustained commitment to these centers, to be planned, developed, and implemented by our African colleagues in concert with the best and the most committed from our land grant system help to establish the institutions, train the trainers well, and let them carry on.

This new land grant system in Africa will have a strong positive impact on agricultural production, natural resource management, women in development, health, and nutrition, and very possibly even population.

In closing, I would like to share with you one thought that was written, depending on one's historical perspective, not too long ago, or perhaps quite a while ago:

> In an infant country such as ours, we must depend for improvement on the science of other countries long established, possessing better means and more advanced than we are. To prohibit us from the benefit of foreign light is to confine us to long darkness.

That was written by Thomas Jefferson in 1820. That statement is as true today for many of the countries in Africa as it was for the United States.

For the future of the children of that continent and our own, can we learn not only from our past failures, but, as Senator Kennedy said this morning, from our past successes and take the appropriate steps? I believe that we can and will.

Thank you for allowing me to be with you this morning.

[The letter referred to appears in the appendix.]

Senator SIMON. We thank you, and we are sorry we could not provide a bulb for your machine.

Professor Walters.

STATEMENT OF DR. RONALD WALTERS, PROFESSOR OF POLITICAL SCIENCE, HOWARD UNIVERSITY

Mr. WALTERS. Good morning, Mr. Chairman.

Senator SIMON. We will enter your full statement into the record, and we have asked everyone to make a kind of 5-minute summary of their statements.

Mr. WALTERS. All right, fine. Thank you very much.

I am pleased to be here this morning just to say a word about the Southern African Development Coordinating Council and the new administration initiative in southern Africa. I am sure that I need not bother this committee and its chairman with the details of the development of SADCC, the Southern African Development Coordinating Council, beginning in April 1, 1980, as an outgrowth of the desire on the part of nine states in the region to reach what they consider to be an independent framework for their economic development.

Partially, this is in response, of course, to South Africa's regional domination. But objectively it is part of the economic development desires of any African country which has reached the stage of independence.

South Africa has realistically, though, a very strong hold over the states in the region. Looking at the exports, for example, the picture that we see is that South Africa exports to the region about 6.9 percent and imports from the region 29.7 percent.

The pattern of dependence of the region upon South Africa, however, is much greater. The three countries of Botswana, Lesotho, and Swaziland, it is well known that their pattern of dependence is much greater than some of the other countries in that particular mix.

The dependent relationship, however, is not so much a question of trade between South Africa and these countries as it is that these countries utilize the export infrastructure of South Africa in order to advance their trade and therefore earn foreign exchange.

When one looks at that particular fact, one finds that countries like Lesotho, for example, are 100 percent dependent upon South Africa; Malawi, 95 percent; Zimbabwe, 85 percent; and so on. You have those figures before you.

That is why the SADCC countries have adopted transport and communications as a particular priority in the development of their desire toward achieving greater independence.

The dependence on South Africa, of course, is also buttressed by the South African Customs Union. The membership affects the countries of Botswana, Lesotho, and Swaziland in their relationship with South Africa. Essentially what they have is a free trade area, but that free trade area also finds that South Africa has very high tariffs for products made in that country, which means then that they are able to reap about 97 percent of the benefit from that free trade association relationship.

The countries in that relationship with South Africa could do better, but they do not, essentially because of economic pressure.

It is also fairly well known that each one of the countries in that grouping has a responsibility for a sector of economic development.

One example of its progress is in the transport and communications sector. In 1987 the consultative conference report indicated that of 158 projects within the program of action of the Southern African Transport and Communications Commission, 37 percent of them have been realized.

The estimated total cost for those 158 projects is $3.071 billion; 32 of the main projects have been completely funded; 32 of the subprojects, involving the Beira and the Dar es Salaam ports, have also been fully funded. The rehabilitation of these port facilities is extremely important, because these ports sit at the terminus of very important rail and road networks in the southern African region.

Therefore, these road networks plus the ports are really the key to the achievement of independence. One of those, of course, we have heard a lot about in the press, that is the Beira corridor, fairly recently. I will not go into the Beira corridor except to say that it is projected at a cost of some $613.9 million, that it is now reaching the stage of having been fully funded, and when it does, it will provide a substantial outlet for the goods of a series of landlocked countries in that region: Zambia, Malawi, Botswana, and perhaps others.

This picture of achievement by SADCC is endangered by South Africa's destabilization program. This destabilization program, as it is widely known, has meant that South Africa has been disrupting this very vital transport network, to the point where those countries in the region which have seen a pattern of some economic growth have now been endangered. Their economies in fact are on the downturn, and the situation gets grave and much worse, so grave, for example, that a recent report by UNICEF concentrated on the danger, not only the danger but on the misery which is really being caused to people in the area.

Entitled "Children on the Front Line," this particular report goes into great detail about the suffering in the region. But I will only make two points. In Angola and Mozambique in 1985, more than 137,000 deaths of children under 5 occurred from the war. Estimates from 1986 are 140,000.

Second, in Mozambique 484 health centers, which is 42 percent of the total, have been destroyed since 1982, and more than 300,000 children have lost their schools.

One could go on to talk about the destabilization program, but I think that sets a backdrop for a final comment on U.S. policy. In testimony before the House Foreign Affairs Committee, Assistant Secretary Crocker talked briefly about the southern Africa initiative.

I think as promising as the southern African initiative plans to be, there are aspects of current U.S. policy which are troubling. Many countries in the region—and one mentions Angola, Mozambique, Zimbabwe, and others—are suffering a policy relationship with the United States which I think in the future could really mitigate against achieving the aims of this particular initiative.

My final statement is that, given the funding levels of the initiative for fiscal years 1986 and 1987, the $93 million in supplemental and $500 million over 4 or 5 years, depending on how one looks at the figures, this does not appear to come up to the tremendous commitment which the European countries are beginning to make in that region.

There are many of us who believe that the U.S. Government certainly could do more, and that what is required really is a revitalization of a foreign policy which looks at the achievement of U.S. objectives within a cooperative spirit of the goals that those countries in the region have set for themselves.

[The prepared statement of Dr. Walters may be found in the appendix.]

Senator **Simon**. That was very well timed. We thank all of you.

Mr. Shear, if I could give you an assignment. You mentioned the House debt relief inclusion. I would be interested in your looking at it, taking a look at it and seeing what you think on that, and sending us a letter on your analysis of what they have included.

Second, a question to you—oh, Mr. Eberstadt has not testified yet. I am sorry. Thank you, and my apologies to you, Mr. Eberstadt.

STATEMENT OF NICK EBERSTADT, VISITING FELLOW, AMERICAN ENTERPRISE INSTITUTE, AND VISITING FELLOW, HARVARD UNIVERSITY CENTER FOR POPULATION STUDIES

Mr. **Eberstadt**. Mr. Chairman, members of the subcommittee, and distinguished guests, it is a pleasure to testify before you this morning on this important issue. I just returned on Sunday from a factfinding tour of southern Africa and I was invited to testify before your subcommittee yesterday. So, I hope I will be permitted to submit a written statement for the record later on.

Senator **Simon**. Certainly.

[The prepared statement of Mr. Eberstadt may be found in the appendix.]

Mr. **Eberstadt**. In the meantime, I have provided the subcommittee staff with some articles of mine which I think are germane to the issues under discussion, and I hope that at this time those can be entered into the record.

Senator **Simon**. They can.

[The material referred to appears in the appendix.]

Mr. **Eberstadt**. I have had an opportunity to review not only the administration's legislation, proposed legislation, but also the proposed legislation of the House and the Senate with regard to current issues. And I should emphasize that I have no legal training myself and I am not qualified to talk to the legal technicalities of these bills.

But I would like to suggest that in formulating public policy in general, perhaps the most important thing to do is to attempt to assess a problem correctly, that incorrectly assessed problems lead to policy problems. They lead to ineffective use of public funds and I think, perhaps even more importantly, they may have serious consequences for the intended beneficiaries, many of whom are voiceless and quite vulnerable.

The administration, the Senate, and the House legislation are motivated by the humanitarian generosity for which the United States is rightly renowned, and they reflect the preference of the American public that the good things of the 20th century, including the prosperity which 20th century knowledge has made possible, be generally available. Unfortunately, neither the administration's proposed legislation nor the draft legislations proposed by the House and the Senate can be expected to champion these sentiments and objectives effectively.

There is little reason to expect any of these drafts, if enacted, to contribute broadly to self-sustaining material advances in sub-Saharan Africa. To the contrary, there is reason to worry whether funds marshalled by these efforts will be turned into unproductive social welfare spending in sub-Saharan Africa or into something worse.

In analyzing the problems that sub-Saharan Africa is facing, we have heard of population growth, we have heard of environmental degradation. I would like to suggest that we look at something else.

The peoples of sub-Saharan Africa live under governments that, with few exceptions, may fairly be described as lawless. The rights to private property, personal liberty, due process, and even to life itself are routinely ignored or violated by the overwhelming majority of sub-Saharan states.

Westerners have long complained about the business environment in postcolonial Africa: the obligatory graft, the police and army harassment, the arbitrary restrictions, and the constant threat of summary expropriation. But such rule is much easier for Westerners, privileged people with foreign passports, than for ordinary Africans.

If I could, I would like to spend a moment discussing four different points in the various proposed legislations: Population, environmental degradation, the proposals for debt relief, and the notion, increasingly discussed, of economic policy reform.

First, population. In both United States AID and multilateral institutions, there is much concern today about rapid and accelerating population growth in sub-Saharan Africa. It is said that this poses a major danger to the development prospects for the region.

If one actually examines the proximate causes of acceleration in population growth in sub-Saharan Africa—and it must be emphasized that very few reliable figures exist on this score—the two factors involved in the rapid acceleration of population growth are: First, a pronounced and general drop in mortality; and second, in some areas an increase in fertility, although this is decidedly a secondary factor.

Declines in mortality mean in effect increases in life expectancy or, broadly speaking, improved health. And to the extent that increases in fertility have occurred, these too may also speak to improved health on the part of women. Other things being equal, an increase in health should be conducive to increased economic productivity.

If the population explosion, so-called, and the health revolution that has propelled it have not generally corresponded with broad increases in economic productivity, one must ask why they have not.

I would also like to mention two of the realities of the African context with regard to proposed population funding.

The first is, as best as can be told, as best as has been indicated by surveys, people throughout Africa, irrespective of linguistic barriers or income differences, prefer large families, and indeed even educated elites in sub-Saharan Africa prefer large families.

Calls for vigorous population programs to reduce fertility in such a context will be viewed with the greatest suspicion by common people.

There is also the tribal reality in much of sub-Saharan Africa. Very often in the past, governments have been used as an instrument of tribal war against disfavored tribes. Under such circumstances, vigorous population programs attempting to in effect alter the will of the nation will be viewed with even greater suspicion.

On the question of environmental problems, one may note that environmental problems do not necessarily portend famine. India, as has been mentioned, had a severe drought in the mid-1960's, which did not lead to generalized famine. In the history of Africa, there are replete instances of erratic rainfall. These do not necessarily lead to famine either.

Senator SIMON. If you would, please continue, but conclude briefly if you will.

Mr. EBERSTADT. Yes. Thank you.

There is a variety of agricultural performance records on sub-Saharan Africa. The record is not homogeneous. The Ivory Coast, Kenya, and Malawi all have records of substantial, impressive improvements in per capita output, while neighboring countries such as, in those cases, Ghana, Uganda, and Mozambique have among the worst records of agricultural decline.

If countries which are adjacent to each other have such dramatically different records, it would not seem as though environment were the primary factor on this.

Let me say a brief word on debt. There is much talk of debt rescheduling, not only for sub-Saharan Africa but also for Latin America. I would suggest only that it is illogical to say on the one hand that much of the industry and economic activity in sub-Saharan African countries are owned by the state and on the other, the state has no resources to sell, with which to make good their debts.

Indeed, the policy changes which would enable African nations to pay their debts more easily are not inconsistent with improved welfare of the masses, particularly for the poorest fractions of those populations.

Finally on policy reform, policy reform is an excellent notion. It is one to which no one can rightly object. It is a question of what policy reform and practice will mean.

The problem with policy reform is one of intentions. Governments are animated by their intentions, and giving a government money increases a ruler's freedom to pursue those intentions. It does not necessarily change them.

This abstract problem is made more complicated under the realities in which economic policy reform is proposed. It is hardly a secret that over the past 20 years AID has lost a great deal of its intellectual capacity to deal with the extremely difficult macroeconomic questions which are presupposed in policy reform.

Even for organizations where this intellectual capacity has been more carefully husbanded, such as the World Bank and the International Monetary Fund, the record of actual policy reform leads one to have grave worries about future policies. In general, one much ask whether—and this is what proponents of policy reform must prove—whether the giving of extra money to existing governments will more effectively condition their policies toward reform than would the necessary pursuit of opportunities in the international market, policies that have created worthiness which would be pursued on their own basis.

Thank you.

Senator **Simon**. I thank you, Mr. Eberstadt. Let me ask you first, do you think we should just forget any kind of aid program for Africa?

Mr. **Eberstadt**. Not at all, sir.

Senator **Simon**. How would you structure it?

Mr. **Eberstadt**. I would look at three very separate components. One is political and security assistance. Political and security assistance would be in effect simply to strengthen America's direct, if you will, direct political influence in specific countries.

From such aid, I do not think it is reasonable to expect direct humanitarian returns or direct economic returns. Security aid is very much like military aid. If you spend $1 less than is necessary to win the war, you might as well not spend any of it.

It is the sort of aid which will, if evaluated in economic terms, look sure to be wasteful, and that is because it is pursuing political rather than economic goals. There seems to me to be a great scope for humanitarian aid in Africa today, especially in light of the well-known famine and hunger conditions affecting so many peoples.

But firm humanitarian aid, I don't think it is reasonable to expect economic development consequences. A point of humanitarian aid is to save lives. I think that one of the things which AID has proved it can do with some success over the past generation is operate effective emergency relief activities.

What we were talking about today has much to do with the question of development, material advance, self-sustaining material advance, both helping countries direct themselves into paths by which they will eventually need no more aid and indeed we hope become so prosperous that they may be able to assist other countries.

What is missing in that regard, it appears to me, in much of sub-Saharan Africa is the political commitment to participate in the opportunities which are currently available in the international marketplace, and to have local commitments to the sorts of legal and political systems which will help make the most of local human resources, which will help develop high returns, as it were, on human capital.

That seems to me to be very largely a question which has to be thrashed out on the intellectual and the moral planes. That does not seem to me to be something which can be helped so much by direct transfers of resources from one government to the next as through a dialog, as through a dialog with governments which are responsive to change, in sending, for example, policy hospitals to governments which request such help; in training students in the United States who may later be able to come back and assist their own countries.

But I think that in the current context in sub-Saharan Africa, much of what we wish to achieve through development must be thrashed out on this particular plane, sir.

Senator **Simon**. If I might just comment, I certainly favor training students. I think that desperately poor countries want something a little more tangible than dialog. I am all for the dialog, but I think we have to go beyond that.

Mr. Shear, if I might ask this in addition to that assignment that I gave you, you talked in general terms about the set-aside, but we have the 30 percent in there. Does that make sense to you? Is that a reasonable figure?

Mr. **Shear**. Yes, sir. First of all, Senator, I will be absolutely delighted to provide you with that letter.

Senator **Simon**. OK.

[The document referred to appears in the appendix.]

Mr. **Shear**. In terms of the set-aside, earmarked or targeted depending on the language in the legislation, I think 30 percent is a reasonable figure. Based on statistics I have seen AID is probably quite close to that figure with respect to population.

There will need to be a negotiation with AID on the definition of "environment" and how environment is dealt with in relation to agriculture. I think how that definition comes out will in large measure indicate what the current percentage will be for the environmental earmark.

I feel reasonably confident that AID should be able to achieve within the next year or two 10 percent for health as well. So, I think the 30 percent is certainly realistic as a target.

Senator **Simon**. Thank you.

Mr. Upchurch, you said we need larger scale initiatives and you used only one example. The one example would not strike me as a very good one in view of world steel production.

You used steel. Can you give me any other example of larger scale initiatives that we should be looking to?

Mr. **Upchurch**. I cited the steel example, Mr. Chairman, as being the thing we shouldn't do.

Senator **Simon**. Well, I'm sorry, then. I misunderstood.

Mr. **Upchurch**. I am glad we cleared the record on that one, sir. Actually, Mr. Chairman, my concern is, I think as we discuss terms like infrastructure we sometimes lump together some things that might be the unneeded bridge to nowhere or the steel mill without a market, along with perhaps other things that would be considered infrastructure and would be very important for the long-term development in Africa.

My colleagues at the rural electric cooperatives in the United States who are working in Africa tell me that, in fact, with some of the very large investments in dams that have been made, rightly or wrongly, in some countries like Zaire and Sahel and other locations where you have the capability of producing electricity, there is a need now for appropriate distribution systems perhaps along the lines of what we have used in this country successfully, to get electricity out to the rural villages for the purpose of irrigation and for the purpose of rural industries and so forth.

The term "infrastructure" also would apply to other things. I know, for example, people think of housing as requiring big investments in infrastructure, but when we are thinking of infrastructure in today's modern concept of how to go about low-income housing in Africa, we are often thinking about modest shared standpipes for clean water and having people help in the process of putting in the trenches for those water lines and so forth, a far cry from the expensive type of infrastructure that is often the stereotype.

Senator SIMON. Thank you. Mr. Nicholaides, you talked about the involvement of U.S. colleges. By inference, you were saying that colleges and universities were much more involved in India than they have been in Africa.

Yesterday the president of Michigan State University told me what they were doing. Am I drawing a correct inference, that we have not been as involved in Africa? Your suggestion is that we need a little stimulus to get us more involved?

Am I drawing a correct conclusion?

Mr. NICHOLAIDES. Yes, that is correct, Senator Simon. There has been involvement in the past in Africa. I don't mean to imply that there has not been. But I would just share with you a few figures.

In agricultural education in Africa, in fiscal year 1984 the funds coming from AID for the purpose of agricultural education in Africa were $21.9 million. In fiscal year 1985, $10 million and in fiscal year 1986, $6 million.

I think one would be very hard pressed to say exactly from where the $6 million figure is being generated. To my knowledge, the only true agricultural education project that is going on in Africa today where a United States land grant university is working with a regional university or a university within one of the African countries is the contract that the University of Illinois has with Egerton University College in Kenya, and that is at the level of about $400,000 per year.

So, you are seeing, even if you use the figures that we have obtained from AID, a reduction from approximately $22 to $6 million, or a 73-percent reduction over that timeframe from 1984 to 1987.

If we are truly concerned about the plight of Africa's agriculture, then we must reverse this tide and, among other key actions, make the commitment to the proposed African Agricultural Universities Development Fund.

Senator SIMON. Mr. Walters, one of the questions as we talk about sub-Saharan Africa and SADCC is the question of Zaire and how Zaire fits into this. Do you have any reflections?

Mr. WALTERS. Yes, Mr. Chairman. I am aware that it is the feeling of United States AID that Zaire be included in the southern Africa initiative. I think that relates, of course, to that mining complex in Shaba, the roads which go from the southern African region all the way through the Benguela Railway with its terminus in Lobito.

I am aware of that sort of feeling on the part of AID, but I think there are aspects of that that are problematic because our policy, as you know, is running counter to the wish to have Zaire included in the southern African region.

There is some ambiguity on the part of SADCC officials themselves as to whether or not they really want Zaire included as an official part of their planning region. The Benguela Railroad itself is probably the best example of a situation which has been disrupted since the mid-1970's, and now we are involved in providing aid and comfort to UNITA which is doing the disrupting.

So, if you look at what we are doing in terms of our policy, it seems as though we are working against ourselves because we are now starting a major initiative which would then put Zaire in with the other countries in funding the northern route through Dar es Salaam.

Certainly, I think Zaire would benefit from our participation in that northern route, but I think the real course of Zaire's problem is the Benguela Railroad. I think that policy, both economic and political, really should settle on the solution to that.

Senator **Simon**. I thank you. Senator Kassebaum.

Senator **Kassebaum**. First, I would like to ask a question of Mr. Shear, because I know he has spent a lot of time thinking about a different approach to development assistance in sub-Saharan Africa and has supported the elimination of functional accounts. I originally did myself, believing it allowed greater flexibility, but I have also come to the conclusion that there needs to be some sort of broad structure of functional accounts to help us carry out our oversight responsibilities.

I suppose we might have different categories I think agriculture should be included—I think it is a mistake not to have that a major focus—and I would combine environment with agriculture. But there are all sorts of different agendas.

What do you think about some form of functional accounts, as a way of helping oversight? You are also supportive of a 5-year authorization. Would you have 5-year appropriations as well?

Mr. **Shear**. I would love to see a 5-year appropriation. Realistically, I don't expect to see it. However, a 5-year authorization alone would permit an improved level of planning even without the surety of multiyear funding.

Senator **Kassebaum**. I think, though, that in a 5-year authorization you give up a chance to focus on program specs and oversight, which can lead to the appropriation committee taking over responsibility for changes. We have seen that happen.

Personally I think that a good reform in how we operate in the House and Senate would be to have joint oversight by the authorization and appropriations committees, so that you could combine efforts. But given that not occurring, I feel strongly it would be a mistake to go to a 5-year authorization and more or less give up a chance to be a party to analyzing initiatives that are being undertaken.

But, I think we would all agree that this is a good first step, and that it gives us a chance to evaluate these kind of changes and how they might be used in other regions. I made more of a statement than asked a question.

Mr. **Shear**. May I suggest, Senator Kassebaum, that the oversight could be accomplished by other means, perhaps. Certainly, at the end of the second year of a multiyear organization, AID could be asked to come forward with a fairly comprehensive assessment on what it has accomplished. This could provide an indication of where the funds are going. Projects could certainly be grouped within agriculture and health, without necessarily reimposing the limitations of the functional accounts which are very difficult to manage in the field.

My points before your committee last April were really related to the problems of managing those accounts, their costs, and the hindrance they provide in terms of thinking comprehensively about a development issue.

Senator KASSEBAUM. Mr. Eberstadt, do you have some thoughts on this? How would it work to have all of the development activities principally under PVO's, and then have security aid, and I would like for you to give an example of what you would consider security aid, managed by the State Department and AID.

Mr. EBERSTADT. Yes, Senator. There are certain things which private organizations can do which are difficult for government organizations to do. There are other things which government organizations can do much more efficaciously than private, independent organizations.

In pursuing any sort of general development thrust there has to be recognition of the comparative advantage of government organizations and private institutions. One of the things which may blur this comparative advantage to some extent is the extent to which the words "private" and "voluntary" are currently misnomers on independent agencies.

It is possible to be classified as a PVO and to receive 85 percent of one's funding from the government, and in that sense that would be neither private nor to the extent that taxes are involuntary would that be voluntary. But I think in sub-Saharan Africa the PVO groups have got a very good case to make that their direct onsite efforts have contributed effectively to relief in various localities.

I think it is a more difficult case to make that their efforts have contributed to development. Development depends very much upon the environment in which resources are put to use, and by their very nature PVO's can deal most effectively in localities.

With respect to security assistance, much of our foreign aid budget is given over to what is explicitly described as security assistance. For better or for worse, for example, the ESF money, the Economic Support Fund, for example, moneys which go to Egypt and to Israel would fall within that framework of security assistance.

It is sometimes claimed, for example, that those funds will promote development in Egypt or will promote development in Israel. I think the record speaks very much to the contrary in both cases.

Despite the problems which may arise in the long term, in terms of augmenting self-sustaining economic growth a decision is made to provide security assistance to those two countries and of course to many others on the rationale that giving those donations will in some sense strengthen the American world order and indeed will strengthen the international economic system which American power proposes to uphold.

That is the rationale. I will not speak to the particular wisdom, if any, given security assistance donations.

Senator KASSEBAUM. I guess I am a little confused, because when you gave your opening statement I thought you said that security aid should be the main function of the budget, of the aid budget.

Mr. EBERSTADT. No, ma'am. I am sorry. I delineated three different types. Senator, I delineated three different purposes which aid may go toward.

Senator KASSEBAUM. That is right.

Mr. EBERSTADT. And if the U.S. Agency for International Development is to promote development, its funding would presumably best be directed toward that last of the three goals I mentioned, toward development itself.

Currently the Economic Support Fund is under AID's auspices even though it is ostensibly supposed to serve security purposes. The logic of that condominium is not directly clear to me. It would seem to me it would just as logically be under the Defense Department or under the State Department in some separate position.

Senator **Kassebaum**. But it is largely under the State Department rather than AID, is it not?

Mr. **Eberstadt**. Yes. There is a joint budget proposal.

Senator **Kassebaum**. Well, it is confusing to us sometimes too. [Laughter.]

I was just curious if there is a delineation in development activities that might allow more of what we call development to be done by PVO's, as some in the PVO field would like to see, which would then enable AID to channel its efforts in different areas.

Does anyone else have any other thoughts?

Mr. **Nicholaides**. May I make one comment to that, please. Some of the ESF funds that are used by AID in Africa go to support what we would traditionally think of as development assistance projects.

I will give you one example, as we all speak from our own experience. This is a University of Illinois, Southern Illinois University, and University of Maryland, Eastern Shore AID-financed project in Zambia.

There have been a lot of references made this morning to Zambia. That project, over a 5-year period, has allocations for about $12 million. It has been working with its goal to help small farmers, to develop technologies appropriate for small farmers and to help these small farmers to learn and utilize these technologies.

It has made a substantial difference in the productivity in that area. Larry Saiers was talking this morning about how in the last 5 years or so agricultural productivity has increased by 30 percent in Zambia and referencing this to the policy initiative reform that has been done there.

But also included in the credit should be the agricultural productivity by the small farmers themselves in addition to that policy reform, and from the program that we have been working on there we have seen soybean and sunflower production increase threefold by small farmers.

Last year, 100,000 metric tons more was produced by small farmers than in the previous year, just by use of varieties and technologies that our scientists and Zambian scientists working together have developed. So, you do have economic security funds that are providing dollars for some of the traditional development assistance-type projects.

Senator **Kassebaum**. Thank you.

Mr. Shear.

Mr. **Shear**. May I just comment, Senator, on Mr. Eberhardt's mentioning of the role of PVO's and emergency aid. That is humanitarian aid, as he described it.

While PVO's have distinguished themselves over the last several years by their work on African famine and drought emergency relief, I believe their real strength lies in the area of long-term development, working at the village level.

Because of weak government and administrative infrastructure in Africa in relation to Europe or the United States, the village in Africa is a very important management system. PVO's, by the very nature of their grassroots support and their familiarity with local institutions, have a unique capacity and ability to work directly at the village level and with the local population.

Senator **Kassebaum**. Mr. Chairman, I have some questions from Senator Helms for Mr. Eberstadt which I would like to submit for the record.

Senator **Simon**. And Senator Kerry has also requested the record be left open. He would like to submit some questions to the members of the panel.

We thank you. Let me also thank again Senator Kassebaum, not only for her leadership but for her cosponsoring the bill. Any specific suggestions upon greater reflection on your part in modifying the bill, we would welcome.

The hearing stands adjourned.

[Whereupon, at 11:38 a.m., the subcommittee adjourned, subject to the call of the Chair.]

INTERNATIONAL NARCOTICS PROGRAM: FISCAL YEAR 1988 FOREIGN ASSISTANCE REQUEST

MONDAY, MARCH 16, 1986

U.S. SENATE,
SUBCOMMITTEE ON TERRORISM, NARCOTICS
AND INTERNATIONAL COMMUNICATIONS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met at 10:07 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Terry Sanford presiding.

Present: Senators Pell (chairman of the full committee) and Sanford.

Senator **SANFORD**. The Subcommittee on Terrorism, Narcotics and International Communications will please come to order.

We have the Assistant Secretary of State for International Narcotics Matters here to testify and to help us make a record. I would like to make just a few opening remarks.

It gives me great pleasure to preside over this annual authorization hearing for the Bureau of International Narcotics Matters for the fiscal year 1988 request.

These hearings are important because they concern America's struggle to control the flood of illicit drugs entering our country.

According to the State Department's own International Narcotics Control Strategy Report, worldwide production of cocaine, heroin, opium and marijuana is up, consumption of these illicit narcotics has expanded, and prices are lower than ever. The threat these drugs pose to societies in the developed and less developed countries alike is serious and growing.

International drugs is now a very big business, indeed, probably worth more than $100 billion annually.

The drug trafficking network now functions in many parts of the world like sovereign powers. It is in everyone's interest that this scourge be eliminated before it spreads even further.

Despite reports of official corruption and widespread collusion by police and military authorities with the traffickers in many of the producing nations, and despite disappointing increases in coca and opium cultivation as well, the President certified all but five countries as having met the full cooperation standard established in the Anti-Drugs Abuse Act of 1986.

During the course of today's hearing, I earnestly hope that the Assistant Secretary of State will explain the process whereby those certifications were made and the logic behind them.

I welcome Ms. Wrobleski here this morning, and would ask you please to summarize your formal testimony.

STATEMENT OF HON. ANNE BARBARA WROBLESKI, ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL NARCOTICS MATTERS

Ms. **Wrobleski**. Thank you, Mr. Chairman.

Before I begin my summary, let me express to you and your colleagues our sympathies. I had the pleasure of meeting Senator Zorinsky the day before his untimely death, and both enjoyed the exchange of views and looked forward to working with him as chairman of this new subcommittee.

My testimony reflects our understanding that today's hearing constitutes the annual authorization hearing for my bureau and also affords members of the subcommittee an opportunity to discuss the International Narcotics Control Strategy Report, which was submitted to Congress on March 2.

This report is the first under the new procedures created by Public Law 99-570, the Anti-Drug Abuse Act of 1986. On the basis of our report, President Reagan has certified the Bahamas, Belize, Bolivia, Brazil, Burma, Colombia, Ecuador, Hong Kong, India, Jamaica, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Panama, Paraguay, Peru, and Thailand as cooperating with the United States or having taken adequate steps on their own in controlling production, trafficking, or money laundering.

The President also certified Laos and Lebanon on grounds of vital national interest.

The President withheld certification from Afghanistan, Iran, and Syria.

We believe this process has genuine merit, but our first year experience suggests the need for some changes. The Department has suggested several amendments, which are summarized in my prepared statement.

We have received numerous inquiries from Congress concerning our recommendations to the President, and the President's decisions on certification. Much of that discussion focuses on interpretations of full cooperation. It is critical that we bear in mind a simple truth. The requirement is to certify cooperation, not success.

As we explained in the INCSR, any assessment of a country's performance must be based upon a concept of variability. Section 481 has appropriately recognized, since 1983, that our analysis should include the social, political, economic, geographic, and climatic factors that affect illicit drug production.

We have applied those factors to our consideration of what was a country asked to do and what realistic capabilities did it have to do it.

The fact is that countries are at different stages of preparedness and capability to address narcotics production and trafficking.

Moreover, I urge the Congress to consider the nature of the narcotics enterprise. You seek to legislate solutions, but all legislation is, in fact, a civilized appeal to reason that falls on the deaf ears of unreasonable people who traffic in drugs. We are dealing with an international criminal enterprise. The production, cultivation, and harvesting of illicit narcotics is not, in even a remote context, comparable to our efforts to regulate sugar production and imports of grains or any other commodity.

We cannot set quotas as such or dictate annual reductions, percentages, or the like. In the long run, there is no alternative to outright bans on cultivation, enforced by eradication, with sufficient interdiction and enforcement capability to seize contraband and financial assets and to arrest and prosecute the major drug traffickers.

This is a complex, arduous, and even hazardous undertaking. We are better at it than we were in 1981, or even 1985, and we are getting better all the time.

While it is undeniable that worldwide production is up, our report estimates that heroin imports remained at the 6 to 7 metric ton level for the United States in 1986. No estimate has been made yet on cocaine but our analysts are agreed that any increase in 1986 would have been less than the increase in coca leaf production.

We estimate that marijuana imports rose less than 1,000 tons.

The data highlight how U.S.-assisted and independent country programs acted as constraining factors on efforts to expand production, including a significant expansion of crop control programs in 1986, by 20 countries whose production ranges from major to minor significance to the United States.

This list includes 14 countries with eradication programs that are supported financially by the United States, and I would note that that is up from just 2 in 1981.

These 20 countries destroyed the equivalent of 15 metric tons of heroin, 30,000 metric tons of marijuana, and 10 tons of cocaine.

These crop control numbers, however, do not yet equate with success, because success means reducing the availability of imported drugs within the United States sustained by uniform reductions in the major source countries, objectives within reach for marijuana, but still beyond our immediate grasp for heroin and cocaine.

But these numbers do show that the United States and cooperating governments have extended eradication programming into all of the major source countries to which the United States has access.

The experiences of 1986 confirm that we must maintain our program effort and be prepared to expand it in the years to come. The market is just too lucrative and worldwide demand is so high that there is no realistic expectation that these traffickers will go quietly or quickly.

The attempts made in 1986 to outpace eradication campaigns in Latin America and Asia convince us that traffickers will plant and replant, until they know that eradication is not a 1-year or 2-year phenomenon, but a permanent part of the enforcement program of every source country.

The 1988 budget before you continues the program expansion of this year. Our goals reflect the reality of our situation.

We look forward to a new coca eradication program in Bolivia, as well as expanded coca reduction programs in Colombia and Peru, continued improvements in opium and marijuana eradication in Mexico, new herbicide spraying programs in Jamaica and Pakistan, intensification of the opium spraying program in Burma, even more progress in the excellent marijuana and opium destruction programs in Colombia and Thailand, and in every source and transit country, more emphasis on interdiction and other enforcement programs that concentrate on seizing contraband, financial assets, and the arrest and prosecution of major traffickers.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Wrobleski may be found in the appendix.]

Senator Sanford. Thank you very much.

I would like to raise several questions with you.

Secretary Wrobleski, you state in your testimony that the criterion used for certifying all but three countries in the President's March 2 determination is to certify cooperation, not success.

In employing that criterion, however, how do you factor such considerations as known corruption at high levels? This leads, I think, to a significant amount of drug trafficking.

Ms. Wrobleski. I think, Mr. Chairman, that you need to look at cooperation not as a standalone. The same thing is surely true for corruption.

To me, the baseline issue is whether there is corruption to such an extent that it has gotten in the way of cooperation.

Senator Sanford. Of what?

Ms. Wrobleski. Is there corruption to such an extent that it has gotten in the way of cooperation? It is an unfortunate fact of narcotics control around the world that narcotics and corruption go hand in hand. It is as true in Bangkok as it is in Bogota as it is in Mexico City as it is in New York or Miami.

The key question in my judgment is, Are you getting the cooperation? Is the government doing what we have asked it to do? If not, is it because of corruption?

Senator Sanford. Are you doing anything at all in Afghanistan?

Ms. Wrobleski. No, sir, we are not. Afghanistan is closed to us.

Senator Sanford. What are you doing in Pakistan?

Ms. Wrobleski. We have a large program in Pakistan, and let me say that it is not just my bureau. It is also AID who helps us in Pakistan.

Pakistan, in 1979, was producing 800 metric tons of opium, probably the world's largest illicit crop.

In 1979, President Zia imposed the opium poppy ban in response, I might add, to diplomatic pressure from the United States as well as the Western European nations.

The production of opium in Pakistan dropped from 800 metric tons to, in 1985, in the neighborhood of 40 to 70 metric tons—a significant drop. It has been a program of a ban enforced by eradication, buttressed by, supplemented by development assistance in the northwest frontier province of Pakistan.

What we saw in 1986, unfortunately, was a rebound, from 40 to 70 metric tons to 140 metric tons, caused, we believe, by a variety of factors, the most important control factor being the change from the military regime to the civilian regime, which occurred at exactly that point in the year when the opium should have been eradicated. But it was not.

The new civilian government of Prime Minister Junejo met with armed resistance in one of the states and basically walked away.

In my judgment, that is why opium production went up so dramatically in Pakistan.

What have we done since then?

The President and Secretary of State have been uniform in telling the civilian government of Pakistan that they must get their production under control.

This year, Pakistan agreed to an aerial eradication campaign, a campaign of spraying herbicide in the northwest frontier province. That program went into effect 2 weeks ago. I think that we will see the numbers coming down this year.

Senator SANFORD. How do you go about the certification? Does your office make the only recommendation?

What other factors are involved?

Ms. WROBLESKI. That is a good question.

Since this is the first year we have done it, I think we have learned some things in the process.

My bureau is responsible for making the recommendations to the Secretary, who then makes them to the President. But it is not something that we do in a vacuum.

We consulted closely with the regional bureaus in the State Department, as well as with our colleagues in what I would call the narcotics community: the Drug Enforcement Administration; main Justice; Coast Guard; Customs; the White House Office of Drug Abuse Policy; the Central Intelligence Agency. It was a long, arduous 6 weeks.

I think that we came together with a product that a lot of people put a lot of time into and, more importantly, a lot of thought into. They were individual recommendations. It was not a question of taking them as a group. We went through every country—several times, as a matter of fact.

Senator SANFORD. Did you recommend noncertification for any country?

Ms. WROBLESKI. Just the three that the President did not certify—Afghanistan, Iran, and Syria.

Senator SANFORD. What is the effect of that noncertification, since we really do not have very good relationships there anyhow?

Ms. WROBLESKI. Well, the point is that we were asked by Congress to certify major producers and traffickers, which I think the three of them clearly are, as I would argue are Lebanon and Laos. That seems to me to be one process.

The second step of that process would be what kicks in as a punishment for not being certified.

Senator SANFORD. But excluding those three, which we already have very difficult relationships with anyhow, did you recommend noncertification for any country?

Ms. WROBLESKI. No, sir. We weighed all three options for every country but, in the end, made no other recommendations for noncertification.

Senator SANFORD. Well, it seems to me that for all of our work and all of our efforts and all of the good intentions, we simply find that this problem is still out of hand and may be getting more and more out of hand all the time.

If you were to pick the single, most successful, experience, say in the last year, in trying to control narcotics production and trafficking, what would it be?

Ms. **Wrobleski**. I think there are several successes. Clearly the new civilian government of Pakistan coming to the realization and agreeing with the United States and Western Europe that a drastic measure was needed to bring those opium numbers back down and taking the politically courageous step of instituting an aerial eradication campaign is a significant success.

The same is true in Jamaica, where Prime Minister Seaga moved also to a herbicide campaign. This was a success.

From where I sit, the fact that we operate in all of the major producer countries, except for those that are closed to us diplomatically, is a success.

In 1981, 2 countries were eradicating their crops. In 1986, that number had risen to 20.

I would like to think that some of that is because of the work of my bureau. But I think that there are two factors that you cannot ignore. One is the increasing domestic drug abuse in the producer and trafficker nations which, quite frankly, is viewed very seriously by these countries.

In Asia, you see an explosion of heroin use.

Senator **Sanford**. What was that, please?

Ms. **Wrobleski**. In Asia, there is an explosion of heroin use. Pakistan, 5 years ago, had no heroin addicts. Today they have 500,000. The same is true in Thailand, in Burma, and also in Latin America, where you are seeing usage of what is basically crack throughout the Andes. It frightens governments, as well it should.

The second is a security situation. Governments are coming to the realization that the sheer power of the narcotics traffickers threatens their governments. It is certainly true of Pas Estensoro, in Bolivia. President Paz, when he made the request for the U.S. Army Blackhawks told us quite candidly that he believed that if he did not go after the narcotics traffickers, there would come a day when they could take over Bolivia, as they did in the early 1980's.

Certainly in Colombia, the system is under siege by the narcotics traffickers. The twins of drug abuse and national security have pushed forward international narcotics control efforts. If you can call that success, I think that is success.

Senator **Sanford**. Tell me about some of your less successful experiments or programs.

Ms. **Wrobleski**. I would say that the increases in acres under cultivation is what is so disappointing. I guess that is the best word.

We have seen Jamaica, for instance, a country which 2 years ago took out one-third of their marijuana crop and last year took out half of it—clearly a better effort. But yet, twice as much marijuana was available for export.

Why? The traffickers, realizing that the eradication programs get at their capital assets, just plant twice as much. It is very frustrating. I think it is going to be several years before they get the message that we are in there for the long haul, that these governments are in there for the long haul, that every time they plant these crops, we will eradicate them.

It is frustrating that the numbers did not come down this year. But, by the same token, I think it is going to take us a couple of years for that to happen.

Senator **Sanford**. How long have we had this program of eradication?

Ms. **Wrobleski**. We have been eradicating crops since the early 1970's in Mexico. That was really the first campaign.

Senator **Sanford**. And still, in Mexico, the poppy crop and its production of heroin has about doubled in just the past few years. How do you account for that?

Ms. **Wrobleski**. I think what you had in Mexico was probably the narcotics success story until about 1981. Mexico had dramatically reduced their opium production, and we saw it very vividly on the streets of the United States. There was less heroin available. What was available was of low purity, and it was very expensive.

That program, quite candidly, has slipped in my view, in 1983, 1984, and 1985. I think we are putting it back together in conjunction with the Mexicans, step by step. I would note that opium eradication numbers are up for 1986, over 1985.

But it is not back to what it once was.

Senator **Sanford**. I do not believe you have mentioned the Bahamas.

Ms. **Wrobleski**. The Bahamas gives us a really difficult situation from the perspective of my bureau, whose expertise is eradication.

The Bahamas do not produce a narcotic crop. They sit, as you know, between the producers to the south and, as they would say, the consumers to the north, although those lines are blurring every day.

It is a difficult geographical area. The Bahamas has been a haven for smugglers since the Civil War, when they ran guns into the United States. It is a very difficult problem for us.

We have had some measure of cooperation from the Bahamas. OPBAT is a program, an interdiction operation, where we keep U.S. Army helicopters in the Bahamas and they fly with Bahamian law enforcement officials to make arrests on the water and on the beaches in the Bahamas.

We have had some progress with them on overflights. U.S. Customs and Coast Guard aircraft are allowed to overfly the Bahamas at will. In fact, we have added Bahamian law enforcement officials to those flights. We stage them now out of Homestead Air Force Base in Miami.

We have been able to put in one radar balloon in the northern Bahamas, and we have plans drawn up to put in two more. But it is a difficult situation for us. It is a purely interdiction situation.

I think we need to do more work with them on that issue.

Senator **Sanford**. Have we indicted any Bahamian nationals?

Ms. **Wrobleski**. We have a case pending against a gentleman named Nigel Bowe. We have had an extradition request in for the last 18 months on Nigel Bowe. The progress on Nigel Bowe is slow.

Senator **Sanford**. Was that one of the countries certified?

Ms. **Wrobleski**. Yes, sir, it was—because, again, of these joint programs that we have and the joint cooperation that we have.

Senator **Sanford**. Should not that failure to allow, after 18 months, extradition indicate that they are not very cooperative?

Ms. WROBLESKI. Again, I would say that that is one of five or six issues. We do have the OPBAT, the interdiction operation. We have close cooperation with Customs on their Operation Blue Lightning. We recently had an MLAT approved in principle. We have a radar screen going up. We have joint patrols going. We have a new Customs base going in in the Bahamas. There are five or six concrete examples of cooperation. Nigel Bowe, the extradition, is the one place where we have not had the cooperation that we would like.

Senator SANFORD. I don't want to make any reckless charges, but, according to the newspapers, some very high officials there have been implicated.

Ms. WROBLESKI. That is true; yes.

Senator SANFORD. What would you have to do to have certification taken away?

Ms. WROBLESKI. In the case of the Bahamas?

Senator SANFORD [nods affirmatively].

Ms. WROBLESKI. I would think if we found that corruption got in the way of our cooperation; if, for instance, we were asked to take the U.S. Army helicopters out of the Bahamas; if we were told that we could no longer overfly the Bahamas; if we were told that law enforcement police in the Bahamas would no longer fly with Customs or Coast Guard or the Army; if it were not a joint program and a joint task force; if we were asked to shut down the radar at High Rock; or if we were told that we could not put in the two radar systems that are slated to go in this year and next. Then I think, clearly, that would be a lack of cooperation and that would result in the lifting of certification.

Senator SANFORD. Well, is that kind of cooperation really doing us any good?

Ms. WROBLESKI. In terms of interdiction?

Senator SANFORD. Well, yes——

Ms. WROBLESKI. Certainly.

Senator SANFORD [continuing]. Because aren't we getting still more than we have ever had come that route before?

Ms. WROBLESKI. Well, I think we have seen that the traffickers are moving throughout the Caribbean. We have the interdiction operations that we support, the interdiction operations that the countries themselves support. We need to do a better job of it. That is very true.

But I think when you consider that we ran no interdiction operations in the Caribbean until only 2 years ago, we are doing better than we were. But it is not perfect, I will grant you that.

Senator SANFORD. Well, let's talk a little more about Operation Blast Furnace, which you have already mentioned. What happened there? What went wrong? What, if anything, was right about it?

Ms. WROBLESKI. Certainly, sir.

The Bolivian context, I guess, is a little different than elsewhere in the Andes. In Bolivia, coca cultivation is legal. Processing coca into coca paste or coca base or cocaine is illegal.

The Bolivian Government came to us in an effort to see if we could provide airlift support to move their police troops—not military, but police troops—to the coca processing sites in an effort to disrupt the narcotics processing that was going on and in an effort to shut down the labs.

Their long-term view was that if you could stop processing, if you could disrupt the networks, you could get the price of the coca leaf down to a point where the farmers, who were growing the coca leaf, would seek alternative crops.

We responded last summer with 6 Army Blackhawks, supported by 200-odd Army personnel to keep those 6 choppers in the air. They were deployed for an original period of 60 days and it was then extended for another 60 days.

What we found, after an initial training period, was that we were able to destabilize the networks in Bolivia, and that processing almost ground to a halt in the Beni region of Bolivia, which is where most of the cocaine is processed.

We also found in the Chapare region, which is where the coca leaf is grown, that leaf just was not being harvested because the farmers could not get a good price for their coca leaf.

The challenge before us now is to continue the interdiction operation using Bolivian assets, in which my bureau participates, to get at the coca crop through a strict eradication program and to provide development assistance in the region for the farmers.

I think we are making good progress on the first count. We have come to what I would call an agreement in principle on the second two counts. But we are still negotiating on precisely how the eradication will go forward and how the development assistance will go forward.

On the interdiction, what we have done is transfer six Army Hueys from DOD to my bureau. I, in turn, have leased them to the Bolivian Government. DOD has provided pilot training and maintenance training; I am providing the operating capital, in terms of fuel, supplies, logistics—the logistics supplies.

Senator **Sanford**. This is in Bolivia?

Ms. **Wrobleski**. This is in Bolivia.

Senator **Sanford**. Who is making certain that this interdiction approach is working?

Ms. **Wrobleski**. We do that in a variety of ways.

We have formed a United States-Bolivian task force, which combines all the elements of the Embassy who are involved, which would be the military group, my people in Bolivia, the narcotics assistance unit, the Drug Enforcement Administration's country attaché, a special agent in charge. They meet on a daily basis, both in La Paz and in the field, with their Bolivian counterparts. So we keep a very close watch on it.

Senator **Sanford**. Do you have a pretty good idea of how successful that is?

Ms. **Wrobleski**. We will as soon as the rainy season stops, which should be the end of this month. The reason that the Blast Furnace Blackhawks came out when they did, which was early November, was because of the onset of the rainy season. Quite frankly, you just cannot fly in that terrain during the rainy season.

The season will be over at the end of this month, and that will be the true test. We have used the rainy season to train pilots and mechanics. We will soon be able to tell if what we have done results, in fact, in a Bolivian blast furnace, which is our aim.

Senator **Sanford**. What are the drug traffickers and growers doing during the rainy season?

Ms. **Wrobleski**. The traffickers continue to process. It affects air mobility more than anything else.

I was down there in January, and the roads become almost impassable, and flying is very difficult. You have to wait for very small windows. But I am sure traffickers continue to process.

Senator **Sanford**. So, at very top efficiency, it is approximately 50 percent successful?

Ms. **Wrobleski**. Because of the climatic conditions that we face as well as the rugged terrain. It is triple canopy jungle.

Senator **Sanford**. So it is not a very successful program, then, you would have to say.

Ms. **Wrobleski**. Oh, I would say just the contrary. I think that we have used the rainy season, which clearly affects both of us, we have used it to train people and we are going to see in the next month or so how effective that training program has been. We will see how efficient the operation is.

Senator **Sanford**. What are you training them to do?

Ms. **Wrobleski**. We are training military pilots, Bolivian air force pilots, to fly the helicopters.

Let me clarify something. When Blast Furnace began and when the government asked us to supply airlift, there were three helicopters in Bolivia. Two of them flew sometimes; one of them never flew. There were exactly nine trained pilots.

So, clearly, we are starting from the ground up in terms of training people to maintain machines and to fly machines. We are starting from the ground up in getting the machines there, and then training police to deploy with the helicopters, to get into and out of the choppers and how to fire the guns and what not.

So it has been a bottom-up training program.

Senator **Sanford**. Describe your interdiction program a little more fully, generally. What does it cover? Where do you attempt to interdict?

Ms. **Wrobleski**. The concept is simple. It is the execution that is difficult.

The concept is that if you can eradicate the drugs while they are in the field and, failing that, if you can interdict them while they are being processed or prepared for shipment, that is the most efficient, effective, safest way to keep drugs off the streets of the United States or any other country.

The theory is that as the price of the drug increases from the field to the vein—as my Justice colleagues say—so, too, does the price of enforcement. The price of the drug increases as it moves through its various stages, as it moves from the fields in Colombia to the streets of Dallas. So, too, does the price of law enforcement.

Therefore, if you strike at the source, you will be more efficient and more effective.

Interdiction, which would be the next step up, would be the second most expensive way of keeping drugs out of the United States.

Senator **Sanford**. It would be the second what?

Ms. **Wrobleski**. The second most expensive way of keeping drugs off the streets of the United States.

Senator **Sanford**. What is the most expensive way?

Ms. **Wrobleski**. I think probably the programs in this country to seize drugs; for instance, the recent program in New York against the crack dealers. It is very expensive in terms of getting personnel on the streets of the United States; expensive for law enforcement; expensive for the judicial system; expensive for the prison system. It's just an awful lot of people spending an awful lot of time chasing down drugs that are easier to get in bulk in the countries where they are processed.

Senator **Sanford**. Well, you indicated that all of this trouble you are causing drug traffickers runs the price up. What bearing does that have?

Ms. **Wrobleski**. I think that the more difficult it is to get your drug, to get your crop to market, that will increase the price of the drug when you sell it. I think we are seeing that in marijuana.

The marijuana supply in the South, in particular, I am told by Drug Enforcement Agents, is of poor quality, it is expensive, and there is not a lot of marijuana to be bought in the Southeastern United States.

I think the reason for that is twofold. One is the successful eradication campaign that the Colombian Government has mounted. They have taken out, estimates range, about 85 percent of their traditional marijuana crop.

You also have a good eradication program going in Belize, a good program going in Panama, as I say, a good effort in Jamaica. That has all reduced what is available.

On top of that, you have the interdiction operation, last year's Hat Trick II, which saw the Department of Defense for the first time involved in interdiction operations in the Caribbean.

So, not only are the crops being eradicated in the field, but it is more difficult to get their crops to the United States where they can be sold.

We have not seen it in cocaine, but we have certainly seen it in marijuana.

Senator **Sanford**. Do you think that price affects use?

Ms. **Wrobleski**. I think to a certain extent it does, particularly with marijuana.

Senator **Sanford**. Do you have any evidence that it does?

Ms. **Wrobleski**. I do not have anything with me, but I would be happy to check with the Drug Enforcement Administration on that question for you and get back to you.

[The information referred to follows:]

Price Has Little Effect on Drug Use

The Drug Enforcement Administration Office of Intelligence advises that price has had a limited effect on demand, as evidenced by recent price spirals for marijuana and cocaine, except perhaps among the very youngest groups of users, in deterring new users.

Senator **Sanford**. Well, if all we are doing is running up the price, we have not really accomplished very much in eradicating the use.

Ms. **Wrobleski**. I would say that experts tell me on the heroin issue that the fact that the price of heroin in this country has remained relatively high over the last 10 years, has affected the number of people who use heroin in this country. The numbers, in fact, have come down over the last 10 years, from 700,000 to 500,000 people in this country who use heroin. This is a small percentage when you look at the number of people who use cocaine or marijuana.

Heroin is still expensive in this country, as opposed to Europe, for instance, and I think that has to be one factor.

Senator SANFORD. But the overall drug use is going up, is it not?

Ms. WROBLESKI. Use of cocaine is going up. What we have seen in marijuana, particularly among young people, is a steady decline of usage. But cocaine is the problem, there is no question.

Senator SANFORD. Well, are they getting off marijuana and on to cocaine?

Ms. WROBLESKI. I don't know that we have verified that. I think there have been some thoughts on that subject, but I am not convinced that we have verified that, particularly among young people.

Senator SANFORD. The interdiction is the second most expensive, then, and the area that is beyond your responsibility is the most expensive.

Would you spend more for interdiction than you have been spending if you could juggle your budget around? Would you put more money into interdiction or more into eradication?

Ms. WROBLESKI. We spend the vast majority of our budget on eradication, since that is our No. 1 priority, as mandated by Congress and as mandated by the President. I am still of the opinion that the eradication programs are the best way to get at the crops. It is expensive and it is time consuming. But it is my view that it is still less expensive than the interdiction operations.

We spend money for interdiction operations almost around the globe. But they are usually short-term operations, like the Blast Furnace Operation in Bolivia. It is the eradication operations that take up the bulk of our budget. That runs the gamut from high technological very sophisticated crop dusting aircraft, all the way through to chemicals, to training pilots. It is an expensive proposition.

Senator SANFORD. But isn't it a fact that, overall, there is more production now than when you started the eradication program?

Ms. WROBLESKI. There is more production this year than last year. I am not sure that we know enough about production to say that there is more today than there was 10 years ago. Some of that is the fact that we know more about particularly the coca crop in the Andes. Our knowledge improves every year as to how much coca is really out there.

Keep in mind that you are surveying an illicit activity, and it sometimes is difficult to get accurate numbers. We give you our best combined assessment.

Senator SANFORD. But we not only are not drying it up, we are not even moving in the right direction, are we—if we have more this year than we had last year?

Ms. WROBLESKI. I think we have more this year than we had last year because of the eradication programs. I think that the traffickers think that this is a 1- or 2- or 3-year program, and that if they just continue to outplant us, maybe we will throw up our hands and walk away.

Senator **Sanford**. Well, doesn't that suggest that the eradication program cannot work?

Ms. **Wrobleski**. Just the opposite.

Senator **Sanford**. They can just keep on planting more?

Ms. **Wrobleski**. Just the opposite. Colombia is a good example, with 2, 3, 4 years of eradication. Even the poor peasant campesinos in Colombia realize that if they are going to continue to plant a crop that the government is going to continue to eradicate, at some point their profit margin disappears, and at some point they move away from the illicit activity.

We have virtually eliminated marijuana production in the traditional areas of Colombia because we have sprayed 2, 3, or 4 years in a row, and the campesinos realize it.

Senator **Sanford**. But marijuana will grow almost anywhere, will it not?

Ms. **Wrobleski**. Marijuana grows over great portions of the world, including all 50 States in the United States.

Senator **Sanford**. That is sort of like trying to eradicate rainfall, then? [General laughter.]

Ms. **Wrobleski**. Well, again, the eradication program, the interdiction program, these are all pieces of a larger strategy.

While we can become more efficient and become more effective in reducing supply, unless we reduce worldwide demand, the supply strategy will not work.

I think you need to go forward on both fronts.

It is my personal view that what we did in the seventies, where we did not reduce demand in this country, where we took an almost passive, recreational attitude toward marijuana use and in some cases toward cocaine use, and leaned heavily on a law enforcement supply reduction strategy overseas was a major mistake. I think we have learned our lesson. I think we have to reduce the supply and that we also have to reduce the demand, and not just in the United States, but around the world.

Senator **Sanford**. Do you have any new ideas or any advance planning or any thought about trying to find a better way to fight this problem?

Ms. **Wrobleski**. The one question, which if I could wave a magic wand and solve tomorrow, would be the issue of an herbicide that we could use against coca in the Andes.

We have been successful in developing an effective herbicide for use against marijuana. We use paraquat and glyphosate. And we have been effective in using 2-4-D against opium poppy in Burma. But we are just not at the point where we have an effective, safe herbicide that we could use against coca.

This means that all of the coca eradication that goes on is manual. The coca bush is a woody plant. It looks like a rhododendron. It is very difficult work getting those bushes out of the ground.

I am of the opinion that the coca cultivation is so extensive in the Andes that without an herbicide, we are not going to be effective in getting rid of the crop.

Senator **Sanford**. But, in effect, that is just a more effective eradication program.

Ms. **Wrobleski**. Yes.

Senator **Sanford**. But eradication itself, simply because this can be grown in so many places in the world, appears to me to be a never-ending task.

Have you thought of any other approach to our drug problem of drugs coming into this country?

Ms. **Wrobleski**. I think that the strategy, as it currently sits, which is eradication, interdiction, stricter enforcement in this country, demand reduction programs, especially those aimed at young people and in the workplace, is the best strategy. I think it has to be a combined strategy.

It is the same strategy that we have had since the beginning of the administration. I don't think anyone is arguing that there is a different strategy that might do the job better.

Senator **Sanford**. Well, that is my point. Should not somebody be thinking about better strategies? Throughout this administration this strategy, as you suggest, has been the strategy, but there is now pretty overwhelming evidence that it has not worked very well.

Ms. **Wrobleski**. I would not say that it has not worked well.

Senator **Sanford**. Well, we have more addiction, we have more drugs coming in, we have more drugs growing throughout the world.

Ms. **Wrobleski**. We have an increase in worldwide demand, that is true, and we have an increase in worldwide production. But I think that what we have done in this country, particularly on the demand side recently, will pay dividends in the years to come.

Keep in mind that the United States has had a drug abuse problem for the last 20 years and we are not going to solve it in 1 or 2 years.

Senator **Sanford**. Well, I understand that we are not going to solve it in 1 or 2 years. But it seems to me that we are trying the same old policies that have not worked and nobody is thinking much about whether there are some other ways that we might be approaching this problem.

Ms. **Wrobleski**. I do not think that anybody has come up with a different strategy, other than reducing supply and reducing demand, which I think, in the end, is the crux of it.

Senator **Sanford**. Well, I suppose I was suggesting that maybe you ought to be trying to come up with some new ways, since this does not seem to be working very well.

Do you have all of the support that you need, all of the assistance, help, and authority that you need to do the best possible job?

Ms. **Wrobleski**. I think so, sir. Yes.

Senator **Sanford**. You have plenty of money?

Ms. **Wrobleski**. Well, thanks to Congress, my budget last year was increased from $65 to $118 million, as a result of the omnibus drug bill passed by Congress in October. This has enabled us, this extra $50-odd million, I think, to really put some assets where we need them, particularly in Latin America, particularly in the Caribbean and in Central America.

Senator **Sanford**. What have you done in Latin America with that new money?

Ms. **Wrobleski**. Let me say, first, that we have approved the expenditure of almost two-thirds of it. We have increased our programs in Bolivia. As I said, we run the entire maintenance budget for the six Hueys in Bolivia. We have increased our programs in Peru to a point where we will soon be able to provide them with airlift support out of the increased assistance which Congress gave us.

In Colombia, we continue to expand our program against coca as well as against marijuana in the eradication fields, and we are stepping up our interdiction efforts in the Llanos area of Colombia.

In Burma, we have been able to add some aircraft in an effort to expand our program against opium poppy in Burma.

We have been able to spend $5 million with the National Narcotics Border Interdiction System, which is chaired by the Vice President, which is the combined interdiction operation in the Caribbean.

We have appropriated $13 million for a new regional air wing, which we will hold title to and which we will operate in Central America and in the Caribbean.

Senator **Sanford**. From where? Based where?

Ms. **Wrobleski**. I'm sorry?

Senator **Sanford**. Where would you base this wing?

Ms. **Wrobleski**. We are still looking at that.

We are thinking that we will probably base it out of Miami for security reasons, and use it in Jamaica as well as in our Central American eradication programs, as well as, if we need to and if we could, we would use some of the helicopters and some of the transport equipment in Ecuador and Venezuela.

Senator **Sanford**. What other Government agencies, U.S. Government agencies, do you work with in your overall responsibilities?

Ms. **Wrobleski**. We work quite closely with the Drug Enforcement Administration. We work closely with the Department of Justice.

Senator **Sanford**. With which?

Ms. **Wrobleski**. With the Department of Justice—with main Justice. We work closely with the Coast Guard, closely with Customs, closely with the Central Intelligence Agency, particularly on crop estimates.

Let me say about the National Drug Policy Board, which is chaired by the Attorney General, that the Secretary of State is a member of the Policy Board. Then, I belong to the second-tier group, which is called the coordinating group. There are, I think at last count, 37 Federal agencies or departments who are involved in the narcotics problem, either on the enforcement side or on the demand side, the health side.

Senator **Sanford**. What does the Policy Board do?

Ms. **Wrobleski**. The Policy Board meets monthly. It is composed of most of the Cabinet Secretaries. It meets monthly in an effort to make sure that the policy is coordinated, that we are not duplicating efforts.

The coordinating group to which I belong also meets on a monthly basis.

Senator **Sanford**. How do you work with the Coast Guard?

Ms. **Wrobleski**. Actually, I have a Coast Guard officer assigned to my staff, which is a welcome addition. We work with the Coast Guard mainly on their interdiction operations in the Bahamas and throughout the Caribbean. We have one of their officers on staff for that reason.

Senator **Sanford**. Now, they have an interdiction operation in the Caribbean and you have a new wing coming on to do the same thing in the Caribbean.

Ms. **Wrobleski**. We have a wing which we will devote mostly to eradication, but in some instances to interdiction. Coast Guard has the responsibility for maritime interdiction.

Our program, the way that I would distinguish our program, is that our program works on a bilateral basis with other countries, whereas Coast Guard, as you know, flies almost all of the blue water between the continental United States and the Caribbean islands.

Senator **Sanford**. And your interdiction operation does not duplicate any of that?

Ms. **Wrobleski**. To the best of my knowledge, no. We work closely to make sure that this does not happen, that we are not flying the same flight lines, and that there would be different areas where we would fly and where we would coordinate and cooperate.

Senator **Sanford**. Why could a new wing in your Department do a better job than an expanded force of the Coast Guard?

Ms. **Wrobleski**. Well, again, I think you need to look at what Coast Guard's mission is. Would you use Coast Guard planes in Ecuador, in interdiction operations in Ecuador? I think not. I think that this is outside of what the Coast Guard does. But that is, very clearly, what foreign assistance money is spent on and should be spent on.

Senator **Sanford**. But you do not limit your interdiction to the in-country activities?

Ms. **Wrobleski**. All of our interdiction is in in-country operations, yes, sir. Maybe I did not explain that clearly.

All of our money is expended through a bilateral program so that we would work with the Government of Ecuador, or we would work with the Government of Belize or of Panama or of Jamaica or of Mexico.

Senator **Sanford**. What are you going to do with this new wing that is going to be based in Miami?

Ms. **Wrobleski**. What we would like to do is use it almost on a revolving basis, so that, for instance, you could take three helicopters and use them in Jamaica for a Jamaican marijuana eradication campaign. When that campaign was finished, since marijuana is a seasonal crop, maybe you could move it to Ecuador for a coca eradication campaign in Ecuador for 3 or 4 months.

Likewise, with the crop dusting aircraft, you could use them for 3 weeks in Belize and then maybe move them to Guatemala and then maybe move them to Panama.

What it does is it gives us more flexibility and I think, in the end, it saves the U.S. taxpayer some money because we are able to move assets around, rather than building up individual air forces in these individual countries.

Senator **Sanford**. Well, interdiction, then, means stopping it before it gets to the stage of transport?

Ms. **Wrobleski**. Well, I would consider interdiction to include everything from hitting a cocaine lab in Bolivia, to patrolling the borders of the United States. I think you have a wide range of activities that fall under the heading of interdiction.

Senator **Sanford**. Have you ever participated in hitting a cocaine lab?

Ms. **Wrobleski**. I have flown over several of them. I always find, because of security considerations, that I always get taken to the ones that have just been hit. But I have spent a lot of time flying the Andes, Asia, Jamaica, and Central America in helicopters and in spray aircraft.

Senator **Sanford**. Does the Coast Guard have adequate forces to patrol the coast in terms of drug interdiction?

Ms. **Wrobleski**. I would not want to answer for the commandant. I do know that both the Coast Guard and Customs were greatly appreciative of the efforts of Congress last year to increase their budget for air wing support and for maritime support and ship support.

Senator **Sanford**. Well, you indicated that we probably should not use Coast Guard in dusting crops in some Central American countries, but what is your view of using the military in drug eradication and drug interdiction?

Ms. **Wrobleski**. I think that operations like Blast Furnace, which was a short-time operation with a very specific purpose, which was airlift support for police troops, I think the Blast Furnace Operation was a good operation, not only because we were able to provide support for a country, a democracy, which had asked for it, but I do not see us repeating that particular operation anywhere else in the hemisphere. This is because, quite frankly, other people do not need or are not as resource poor as the Bolivians were.

I do think that the operation was a success, I am told, from a DOD standpoint, because they found it very useful training for their people, and I think clearly it was a success from the Bolivian standpoint.

Senator **Sanford**. Do we have enough forces to identify drugs moving into the country? Haven't we got the kind of sophisticated equipment that we could find out everything coming into the country if we set out to do it?

Ms. **Wrobleski**. We don't know. We are working on it, and the major chunk of last year's omnibus drug bill has provided the funding for a radar screen, if you will, which will go across the southern border of the United States from California to Florida. But it is an expensive, difficult undertaking.

It will not be in place, probably, for 18 months to 2 years. Once you get the radar net, the more difficult question, I think, is what do you do with all of these pictures of airplanes. If the radar capability gives you the ability to know when, where, and who is coming over the border, what you do about it is a much more difficult question. Do you mobilize the Coast Guard and Customs? Do you mobilize individual police forces, because what you have to do is track the aircraft and land behind them if you are going to arrest anybody or if you are going to seize any contraband.

That is a far more difficult undertaking.

Senator **Sanford**. Are you saying that we cannot develop a system of identifying drugs coming into the country?

Ms. **Wrobleski**. I am saying that we can and that we are. But I am saying just knowing where they are is not enough. You must also have intercept capability.

Senator **Sanford**. Well, do we have adequate funds in both of those endeavors?

Ms. **Wrobleski**. This is a little bit out of my area of expertise, and I am not sure. But I think probably Customs and the Coast Guard are looking now at what they would need in terms of intercept capability to match the expanded radar, which Congress gave us last year.

Senator **Sanford**. Well, would we maybe not be better off spending the money that we are now spending for eradication in stopping it from coming in? Eradication is sort of like kicking over a toadstool, and then another one is going to spring up somewhere else.

Ms. **Wrobleski**. I would disagree. For instance, the radar net that is now going in is costing somewhere in the vicinity of $800 or $900 million. The intercept capability I think—and this is a guess; I am not an expert on this issue—is going to cost about that.

I think if you can eradicate crops in the field for a budget of $100 million, I think the money is better spent.

Senator **Sanford**. Well, I think so, too. But I think the evidence is that you cannot do it and have not done it.

Ms. **Wrobleski**. I don't think that is true. It is certainly not true in Colombia against marijuana. It is not true in Central America. It is a question of can we do it consistently in the major producing areas. I think that is what we have to show you that we can do this year and next year.

Senator **Sanford**. Well, I hope so. But the evidence is that it is growing in spite of eradication, and the evidence is that there is just too much territory, that there would not be any physical way to cover it, simply because too many places can produce it.

So I would say, from all evidence, it appears to me that the eradication program is a dismal failure.

Ms. **Wrobleski**. Well, again, I would disagree with you.

I think that when you consider that 2 countries were eradicating in 1981 and today 20 are doing so—which means that we are in all of the major producing countries, with the exception of Afghanistan, Iran, and Laos—this is an indication that the eradication concept can work. It is a concept that other governments have come to embrace along with us. The fact that we support programs in 14 countries around the world, whereas in 1981, we only supported in 2 is an indication that the concept can work, but that it is not a concept that is going to work in 1 or 2 years.

We have to be prepared to continue to support the governments who run the eradication programs.

Senator **Sanford**. I quite agree that you cannot expect success quite that quickly, and perhaps I overstated the case, but I do not think so.

Here we are, betting most of our hopes on eradication and there is not really any evidence that eradication is going to stop the flow into this country.

Ms. **Wrobleski**. We are not betting most of our hopes on eradication. Eradication is one part of the plan.

You also have an interdiction budget.

Senator **Sanford**. Yes, but the interdiction you have already downplayed.

Ms. **Wrobleski**. Well, I think that the interdiction, now that the assets are in place for what we think will be effective interdiction, I think it is a little too soon to tell. I think we have to get up the radar net and see how that plays out.

I don't think that anybody thinks that just eradication or just interdiction or just demand reduction is the answer. Again, I think you have to push it at all points in the chain.

Senator **Sanford**. You certified Panama as cooperating with us. Isn't it true that Panama is the chief place of laundering drug money?

Ms. **Wrobleski**. There are indications certainly that Panama is a money laundering center because it is a bank center. But I think you need to look at what are the Panamanians prepared to do about money laundering of narcotics proceeds.

What they have done, what they did at the end of the year—and I might say that I think in this case the threat of sanctions, economic sanctions, was a useful tool. The Panamanians, by the end of the year, had passed new domestic legislation which criminalizes money laundering for the first time in Panama and sets penalties for money laundering. It also enables our investigators for the first time to get a look at Panamanian bank records.

Senator **Sanford**. Now, is Panama permitting our people to look at bank records?

Ms. **Wrobleski**. The Justice Department officials tell me that they are now in the process of pulling together several test cases where they would like to test Panama's new law and see how it works, and see if it is comprehensive enough, if it is tough enough, if it is what they need.

But, again, since the new legislation was passed at the end of the year, we considered it a good-faith effort, and we considered the legislation, on first reading, to be a good-faith effort. How they enforce that legislation will have a very serious effect on the certification process this year.

Senator **Sanford**. How long have we pursued the eradication program?

Ms. **Wrobleski**. In—where?

Senator **Sanford**. Anywhere? How long has this been part of our plan?

Ms. **Wrobleski**. The oldest eradication program that we support is the Mexican program. The Mexican program has been in operation since the early to mid-seventies.

Senator **Sanford**. How long have we had an interdiction plan?

Ms. **Wrobleski**. I don't know. I am going to guess probably 15 years.

Senator **Sanford**. Or more?

Ms. **Wrobleski**. Yes, or more.

Senator **Sanford**. So those are old plans that we have been using for a long time. We do not really seem to be catching up with the problem.

I go back to my original question: Where is the new and creative thinking?

Ms. **Wrobleski**. I think the new and creative thinking—I do not think that there is another strategy out there, other than reducing supply and reducing demand—the new and creative thinking may be inside of those two concepts. For instance, the technology development which enables us now to use herbicides against illicit crops; the great leap forward that we have made where we can use a fixed-wing aircraft against narcotics crops, rather than helicopters, which are slow, expensive, and relatively dangerous; if we could get an herbicide to use against coca.

Again, I am not an expert on interdiction, but I am sure that the Customs Department, as well as Coast Guard, will tell you that their interdiction operations, their border security would be better if they had some more high technology solutions to the problems of 6,000 cars coming over the border from Mexico every day, or whatever the number is.

It is a difficult process for them to check every one of those cars.

So I think the creative thinking is probably in terms of high technology solutions, more than anything else.

Senator **Sanford**. Since this committee needs to concern itself with the authorization, do you have anything to say about your budget, any special request?

Ms. **Wrobleski**. No, sir, I do not.

I would only note that the budget request is for $98 million. The original budget request for 1987 was $65 million. So I was delighted that the Department and OMB sought a sizable increase for my budget.

Senator **Sanford**. But you have come down considerably from the 1987 expenditures?

Ms. **Wrobleski**. It is a timing problem.

We had gone, as I said, to the Department, and the Department, on our behalf, had gone to OMB for an increase from $65 to $98 million, which everyone agreed on, and we were delighted.

In the interim, the Congress increased the budget request from $65 to $118 million. So, what looks like and what is, I guess in terms of dollars, a decrease is, in fact, a timing problem, because our budget was already locked up when the omnibus drug bill came in and gave us such a large increase.

Senator **Sanford**. So you did not spend all of that money in 1987?

Ms. **Wrobleski**. I have spent two-thirds of it, and I intend to spend all of it since it is only 1-year funding.

Senator **Sanford**. But next year you will have to cut.

Ms. **Wrobleski**. Next year we will see a cut.

Senator **Sanford**. In what?

Ms. **Wrobleski**. What will we have to cut?

Senator **Sanford**. Yes.

Ms. **Wrobleski**. Probably we will have to cut back on what I will call recurring costs, probably connected with air assets, airlift and air capability.

Senator **Sanford**. Is that going to make your program less effective?

Ms. **Wrobleski**. I don't know that I would say that. I think that we are prepared to live within the President's budget request of $98 million.

Senator **Sanford**. If we cut you $8 million more, would it make it ineffective?

Ms. **Wrobleski**. We would have to tighten our belts.

Senator **Sanford**. You would what?

Ms. **Wrobleski**. We would have to tighten our belts, certainly, and we would have to look for where we could cut.

Senator **Sanford**. But you don't think that you need any more money?

Ms. **Wrobleski**. I think that we can operate within what we have been given by the President.

Senator **Sanford**. Thank you.

The chairman of the Foreign Relations Committee, Senator Pell, is here.

Senator Pell, we have taken testimony from Secretary Wrobleski and we have talked a great deal about the effectiveness of her work and we have talked about the certification and a number of other things. But there are plenty of other questions that I have not touched upon.

The **Chairman**. Thank you very much, Mr. Chairman.

I have just one or two questions that I would like to explore for a moment.

One question concerning the cooperation standard leading to the certification. Do you find in general that you have pretty good cooperation from the Latin American countries, or are they very resistant?

Ms. **Wrobleski**. Mr. Chairman, I think that we find we get good cooperation. I mentioned this earlier, but if I could expand on the point, what we find around the world are governments who are driven not so much by the diplomatic efforts of the United States and the Western Europeans, but who are driven by increasing domestic consumption in their own countries. It's true in Latin America; it's true in Asia. There is this and the threat that the narcotics traffickers pose to national security.

These two issues combined I think around the globe have given us good cooperation.

The **Chairman**. I would agree with you.

I would imagine that there are some countries that were corrupt—and some still are. But, as you say, drugs are having a bad effect, a deleterious effect on their own young people, so when it comes to drugs, maybe they are starting to change around.

But of all the various countries of Latin America, my own opinion, purely uninformed, is that Mexico is pretty close to the bottom of the list. Would you concur with that? That is where they beat up and killed one of our DEA agents.

Ms. **Wrobleski**. That is true.

The **Chairman**. I do not think they have had a single conviction of a major drug ring in the last few years.

Ms. **Wrobleski**. I think that the cooperation that we get from the Mexican Government is good. I think that what I would say is that the eradication program does not work as efficiently——

The **Chairman**. Which program?

Ms. **Wrobleski**. The eradication program which I run—does not work as efficiently or as effectively as I think it should. I would say that I have had this conversation with the Mexican attorney general on numerous occasions. He agrees with me. And we are taking steps to increase its efficiency and its effectiveness.

But I think that when you look at the increase in the Mexican budget, they are now putting more money into the drug program than they had in the past. When you look at the fact that seizures are up in Mexico, the numbers for opium eradicated and marijuana eradicated are all up. There are some rough spots in the relationship, as you know, and it is not just narcotics.

But I would say that cooperation was better in 1986 than it was in 1985.

The **Chairman**. Correct me if I am wrong, but how do you account for the fact, as is my understanding, that people responsible for the torture and murder of our agent have not been brought to trial, and also for the fact that no real arrest or punishment has occurred in the last couple of years? How can that mean they are cooperating?

Ms. **Wrobleski**. On the Camarena investigation, which is a point of discussion and conversation every time I have ever been present for an American official to meet a Mexican official—and that goes from President Reagan seeing President de la Madrid, from Secretary Shultz seeing Foreign Minister Sepulveda, from Attorney General Meese seeing Attorney General Sergio Garcia-Ramirez, the Camarena case is a case that we push at every opportunity.

The Mexicans remind us that their judicial system is different than ours, that it moves clearly more slowly, that there have been over 100 people charged in the case, and that 40 cases are moving through the court system.

But you are correct: There has not been a conviction.

The **Chairman**. Also, there has been no successful prosecution or punishment of anybody on a major scale in Mexico.

Ms. **Wrobleski**. That is true.

The **Chairman**. How many countries in that part of the world permit the doctrine of hot pursuit to be exercised?

Ms. **Wrobleski**. The only country where we are permitted hot pursuit, of which I am aware, is the Bahamas.

The **Chairman**. Would that indicate that their cooperation with us was good?

Ms. **Wrobleski**. I think it is one of the factors, certainly. Senator Sanford and I were discussing this earlier.

I think that this is an indication of cooperation, but I must say that the sovereignty question looms large when you start to talk about hot pursuit. It is a particularly difficult issue for the Mexican Government as well as for some other Latin American governments. But it sits on sovereignty.

The **Chairman**. In your view, would the cooperation of the Bahamas be compared with the other countries as being in the top one-third, the middle one-third, or the bottom one-third?

Ms. **Wrobleski**. Well, now, I had not thought about categorizing that.

The **Chairman**. In other words, would it be good, medium, or bad?

Ms. **Wrobleski**. For the Bahamas?

The **Chairman**. Yes.

Ms. **Wrobleski**. I think when you look at what we have asked the Bahamas to do and what they have done, they have done a good job. The only thing they have not done—well, they have moved slowly on an extradition case that we are very interested in, the Nigel Bowe extradition case. But, when you look at the joint interdiction operation, when you look at the radar net that is going in, when you look at the fact that we have had United States Army helicopters based out of the Bahamas and flying in the Bahamas since 1983, and we have just signed or agreed in principle on a mutual legal assistance treaty, cooperation has been good.

As you know, the Coast Guard is putting in a new docking facility in the Bahamas, which will increase their effectiveness in the Bahamas, and they are also building the Bahamian Royal Defense Force a new boat hoist facility.

So in this respect, the cooperation is good.

The **Chairman**. I would concur with you.

I have gone out on a Coast Guard helicopter patrol where we found a vessel that was chock-full of marijuana. Also, I remember watching the start of one of the sting operations there, where the Bahamians and the Americans were working together really very closely.

Ms. **Wrobleski**. Yes.

The **Chairman**. Good. I thank you very much, indeed.

Ms. **Wrobleski**. Thank you, Mr. Chairman.

Senator **Sanford**. Let me pursue just one point. I recall that last year, the President made a great effort to convince the American public that the administration was going all out to fight drugs. He pushed through Congress tremendous increases and went all over the country telling people that this administration intends to stop this.

Still, you come here now with a $20 million decrease at a time when the program is anything but at its peak. The explanation that budget timing crossed you up is not really controlling. The opportunity to appear before this committee has been seized by everyone to ask for more money where they felt that the program could not be successful without additional funds.

The Secretary of State, in his testimony this year on his foreign aid request, accused Congress of indiscriminately reducing the budget in such ways that programs were hampered, including yours.

So, the Congress has consistently increased your budget, and now we are faced with the rather odd situation of having you say "Well, we get along very well for $20 million less." Are you going to make progress with $20 million less?

Ms. **Wrobleski**. I think, as I said, we, as all Federal agencies, are prepared to live within the President's budget request.

I think that we all bear some responsibility to make certain that we do that.

Senator **Sanford**. Do what?

Ms. **Wrobleski**. We bear some responsibility to make certain that we can live within the President's budget request. The only point that I would make is that the request, at the time it was made, was $30 million more than what we thought we would have in 1987, which I think is a measure of the commitment that we have seen.

Senator **Sanford**. Yes, but you were not doing a good job. That is why Congress and the President came and asked for a whole lot of additional money, and you spent it.

Ms. **Wrobleski**. Am spending it.

Senator **Sanford**. And you still do not have the job done. We still see an increase in production, we still see an increase in use. Why, with an administration that just 6 months ago was so keen on going after this as one of the major tragedies of America, is it that you have lost your enthusiasm?

Ms. **Wrobleski**. Oh, I do not think we have lost our enthusiasm. I think, if anything, as I say, the budget process just got out ahead of us, or we got behind it. I do not see any sense of a lessening of enthusiasm.

Senator **Sanford**. Well, what are you going to do to cut your budget $20 million?

Ms. **Wrobleski**. What I will have to do is look to programs that I would not perhaps have—well, I will have to cut back on things that I probably would have done this year that I will not be doing next year.

Let's talk about aircraft, the buying of aircraft, which is probably the most expensive piece of my budget.

Senator **Sanford**. Well, is the chief mission of your agency to live within a budget, or is the chief mission of your agency to advocate all things needed in order to eradicate this great problem?

Ms. **Wrobleski**. I think the chief mission and the difficult mission is to reach compromise between the two. I think that we have to come to you with a budget that is well thought out, that we believe will work.

Clearly, everybody would like more money. But in the budget times that we are under, that is not possible.

Senator **Sanford**. Well, you are the first person to come over here to suggest that you have had plenty of money. And in view of the fact that this was made into such a great political issue, it really raises questions as to the sincerity of the effort made in the heat of the campaign last fall, when all of this money came in to make a great impression and now that the election is over, it is no longer needed.

That leaves me puzzled.

Ms. **Wrobleski**. Well, I do not want to be impertinent——

Senator **Sanford**. Oh, go ahead. [General laughter.]

Ms. **Wrobleski**. I would say that it was an election issue around the Hill, as it was around the country, as you know, since you ran last year.

Senator **Sanford**. Yes, but I said this was just a political gesture that would not hold up. Now I hate to be proven correct.

Ms. **Wrobleski**. I don't think you will be proven true. I think that the American people view drug abuse as a very serious problem. I find that in my going around the country and in my speaking, that part of the Foreign Assistance Act which is related to narcotics people find great sympathy for, because narcotics control overseas is something that affects almost every American family.

I think it is explainable. I find great enthusiasm for the program overseas and great support.

Senator **Sanford**. Oh, I don't think there is any question but that the public is greatly concerned about it. Most polls indicate it is the most disturbing problem in America. My question is why are you slacking off?

Ms. **Wrobleski**. Well, again, at the time the budget numbers were drawn, we were not slacking off.

Senator **Sanford**. Well, this is not the time.

Ms. **Wrobleski**. But I think it is incumbent on me to say that I think we can live within the budget that we have been given by the President.

Senator **Sanford**. But we are not interested in your living within a budget. We are interested in you eradicating a problem.

Ms. **Wrobleski**. I understand. I do.

Senator **Sanford**. Well, Secretary Wrobleski, I thank you. This is the first day I have been on this subcommittee. I was impressed that you were riding around in helicopters over places where you were getting ready to bust a cocaine operation.

Did you come from a background of law enforcement?

Ms. **Wrobleski**. No, sir. I did not. Actually, I came from what I would call the other side of the street, which is demand reduction.

Senator **Sanford**. Which is what?

Ms. **Wrobleski**. Demand reduction—drug prevention, education. Before that, I spent 8 years here on the Hill as a congressional aide, which I guess is enforcement of a kind.

But I would invite you, Senator, please, if you can find some time in your schedule, to join us on some of our operations overseas. We would be delighted to have you.

Senator **Sanford**. Well, I believe I am going to leave busting coke caves to professionals. [General laughter.]

I thank you very much. I hope that we will see progress. I hope that we will see these programs working. I hope we will see some new initiatives and some new thinking. And I hope we will not see a slackening off of an interest in doing something about this.

It looked like we were going to be in an all-out war, and all of a sudden we can live within a budget. To me, that does not promise very much for the success of what we are trying to do.

As a matter of announcement, the record will be kept open for Senators to submit additional written questions, to be answered for the record, and I thank you very much for being here today.

Ms. **Wrobleski**. Thank you, sir.

[Whereupon, at 11:30 a.m., the hearing was adjourned.]

ADMINISTRATION'S FISCAL YEAR 1988 FOREIGN AID REQUEST

MONDAY, MARCH 23, 1987

U.S. Senate,
Subcommittee on Near Eastern and
South Asian Affairs
of the Committee on Foreign Relations,
Washington, DC.

The subcommittee met at 9:30 a.m. in room SD-419, Dirksen Senate Office Building, Hon. Paul Sarbanes (chairman of the subcommittee) presiding.

Present: Senators Sarbanes, Adams, Moynihan, Kassebaum, and Boschwitz.

Also Present: Senators Glenn and Humphrey.

Senator **Sarbanes**. The committee will come to order. This morning the Subcommittee on Near Eastern and South Asian Affairs will be hearing testimony on the administration's fiscal year 1988 foreign aid budget request.

Before we hear from the administration witnesses, in a panel that will be led by Assistant Secretary of State for Near Eastern and South Asian Affairs, Richard Murphy, we will hear from two of our colleagues who have asked to be heard by the subcommittee on issues relating to the foreign aid request for this region.

Following the testimony from our two colleagues and the administration panel, we will hear from two public witnesses: Dr. Jagat Motwani of the National Federation of Asian Indian Organizations in America; and Mr. Nayyar Zaidi, representing the Washington Roundtable for Asian-Pacific Press.

We will begin this morning with Senators Glenn and Humphrey. Senator Humphrey testified before our committee recently on the issue of the new U.S. Ambassador to Pakistan. Senator Glenn has chaired hearings in the Governmental Affairs Committee on the nuclear nonproliferation issue, a matter on which he has not only taken a strong interest, but exerted very significant leadership in the Congress.

We are pleased to have both of them here with us this morning. And John, why don't you lead off. We would be happy to hear from you.

STATEMENT OF HON. JOHN GLENN, A U.S. SENATOR FROM OHIO

Senator **Glenn**. Thank you, Mr. Chairman, for this opportunity to discuss the administration's proposed aid package to Pakistan.

Webster defines "dilemma" as "a situation requiring a choice between equally undesirable alternatives." Dilemma perfectly describes the situation we are in with regard to the administration's proposed 6-year aid program to Pakistan.

Dilemma in that we want, I want, to aid Pakistan. We share common objectives with Pakistan in the Asian subcontinent: limiting Soviet influence, encouraging political and economic development, and reducing prospects for another war between India and Pakistan.

Of course, we understand their concerns about India; and of course, we share their concerns about the Soviet invasion of Afghanistan and whether that is but preface to even further Soviet moves in South Asia. And of course, we share their concerns about the difficulties in coping with the more than 3 million Afghan refugees now in Pakistan. And of course, it is in our mutual interest to continue the arms flow to the mujahedin, the Afghan freedom fighters trying to drive Soviet invaders from their homeland.

Mr. Chairman, those are current concerns. They involve us here and now. But much as we want and value all of the above, there are longer term worldwide nuclear weapons proliferation considerations that must be carefully weighed, lest short-term considerations effectively wreck the Non-Proliferation Treaty, the Nuclear Non-Proliferation Act, the provisions of the Foreign Assistance Act, and in the process actually encourage the spread of nuclear weaponry.

These are not easy decisions, and the horns of a dilemma well describes my view regarding approval or disapproval, the exigencies of the moment versus the even greater potential of future nuclear holocaust, and it is that stark.

To understand this fully, we need to briefly review what has happened with nuclear control efforts through the years. The post-World War II proposal of Baruch and Lilienthal to put all things nuclear under some form of international control did not materialize.

But in the ensuing years, if the United States was occasionally misguided and naive in its rush to spread nuclear technology for the benefit of mankind, we made up for it with our leadership in nuclear nonproliferation activities. It was the United States that took up the challenge to create and bring into force the Nuclear Non-Proliferation Treaty, NPT. And more than 130 nonnuclear weapons states are now signatories to the treaty, which went into force in 1970.

Nations around the world have become increasingly concerned that, with the spread of nuclear technology and the very sophisticated equipment to exercise that technology, it would not be many years before small border conflicts that might have received comparatively little notice might now involve such weapons of mass destruction that millions of lives could go in a flash and the potential for escalation into nuclear World War III would be enormously increased.

The NPT bargain, simply put, was for nuclear weapon states to cooperate fully with nonweapons states in the peaceful uses of nuclear energy, in return for the nonweapons states' agreement to give up any program leading to nuclear weapons capability.

The other part of the agreement, I would hasten to add, requires the weapons states to negotiate in good faith to try to reduce existing weapons stockpiles. Those are negotiations that have received far, far too little emphasis in the years since 1970.

In addition to the NPT, the global nonproliferation regime includes supplier agreements, safeguards arrangements through the IAEA, and national nuclear export laws like our own nuclear Non-Proliferation Act, and the Symington and Glenn amendments to the Foreign Assistance Act.

The Symington and Glenn amendments should be particularly noted since their requirements are those which President Reagan seeks to waive. They basically provide that after enactment in 1976 and in 1977, aid would be terminated to any nonnuclear weapons state that imported without safeguards enrichment or reprocessing equipment and technology.

President Carter made his evaluation under those laws and cut off aid to Pakistan in 1979. In the wake of the Soviet invasion of Afghanistan, President Reagan proposed fully repealing the amendments, mainly so aid to Pakistan could resume.

Congress refused the full waiver, but did give a 6-year waiver for Pakistan only, with certain conditions attached. At the moment, these conditions are that the President must certify each year that: One, Pakistan does not possess an explosive nuclear device; and that, two, United States aid would help steer Pakistan away from pressing for the nuclear option.

And while 132 nations have placed their interests under the umbrella of NPT, a number of countries of particular proliferation concern have refused to sign the NPT. Among these are Pakistan, India, South Africa, Israel, Argentina, and Brazil.

United States policy decisions in the nuclear area, even when made in the context of one country such as Pakistan, have a very serious ripple effect on the entire nonproliferation regime. The regime is fragile. It requires constant vigilance to keep it intact.

There are signers of the NPT who prior to last year's 5-year review of NPT were reported in the press to be openly wondering whether the bargain has been worth it. Any lack of resolve in the part of the United States toward preventing the spread of nuclear weapons, any relaxation of commitment by the world's nonproliferation leader, dangerously weakens the global regime.

If the regime were to collapse, I think the hopes of mankind for a world without, or even with few, nuclear nations would collapse with it.

So this is the prism, Mr. Chairman, through which one must view both facts and policy decisions about Pakistan. Now, what are the facts? Well, following India's so-called peaceful nuclear explosion, the PNE, in 1974, Pakistan Prime Minister Bhutto vowed that Pakistanis would "eat grass" if necessary to gain a similar capability, and with that their program was launched.

Through the years, Pakistani officials have repeatedly denied having a nuclear weapons program, although available information indicated just the opposite. I personally received such assurances 2 years ago from Pakistan's President Zia and other top officials during a visit to Pakistan.

Such assurances have been used by the administration to justify aid to Pakistan, even though such assurances were believed to be highly suspect by most interested observers. The Presidential ability to honestly certify Pakistan's nonnuclear weapons status is changing drastically.

In 1979, as a result of Pakistan's violation of the Symington and Glenn amendments to the Foreign Assistance Act, the Carter administration, as stated, halted economic and military assistance to Pakistan.

Following the Soviet invasion of Pakistan, the Reagan administration succeeded in convincing Congress to restore this aid as a quid pro quo for Pakistani cooperation in allowing weapons to be funneled to the Afghan rebels. But the administration failed at that time to pressure Mr. Zia into providing any guarantees that Pakistan would halt the development of the bomb in return for the aid.

Nonetheless, the administration led Congress to believe that nuclear restraint on the part of Pakistan would be a consequence of the United States aid program. In 1981, then Secretary of State Alexander Haig said in a letter to then-Senator Percy:

> By providing Pakistan with conventional military equipment in the framework of a bilateral relationship of confidence and mutual understanding, the United States will be in a better position to influence the fate and direction of Pakistan's nuclear program in the future.

Six years and more than $3 billion later, we see Pakistan poised at the nuclear threshold. Very credible press reports indicate that Pakistan is manufacturing and testing components for a nuclear weapon. A newly released authoritative study by the Carnegie Endowment, along with recently reported statements by Pakistan's President and its top nuclear scientists, suggest that Pakistan is now capable of manufacturing a nuclear explosive device.

Mr. Chairman, I would depart from my prepared text just to hold up the London Observer of March 1, 1987: "The head of Pakistan's program says they have the bomb or bomb capability. For the first time," he said, "these labs are producing highly enriched or weapons grade uranium. We have upgraded it, the uranium, to 90 percent to achieve the desired results," he revealed.

Asked if Pakistan had tested the bomb, he replied, "Is it necessary? America has threatened to cut off all its aid. The testing does not have to be done on the ground. It can be done in a laboratory through a simulator. Planes are often flown after testing their capability in simulators," and it goes on.

This is the man in charge of their nuclear program. The interview was given to one of India's leading journalists, and another person in the room was a Pakistani journalist who went home and reported the validity of the interview, even though it was later denied.

This morning's Time magazine, brand new, right off the press. We got a copy this morning, the March 30 edition right on the stands right now this morning. The writer of this says "Zia seemed"—this was an interview with Zia—that:

"Zia seemed to imply that Pakistan could produce a bomb a month, a deadline that most scientists consider would be difficult to meet unless weapons grade uranium was on hand." And it has an interview with President Zia down here at the bottom. But that is a quote out of part of this, and I think this is worth reading to indicate what we believe has been the intention of Pakistan all along.

These are but a couple of recent additions to a long history of Pakistan's pursuit of the bomb. I would like to submit for the record a 26-page chronology of these events that has been prepared by the Congressional Research Service to appear at the end of my statement.

I think it is now amply clear that Pakistan gained the status of a nuclear threshold state during the period when United States assistance was at its highest level. I believe the American taxpayer has a right to ask how much nuclear restraint his previous tax dollars have purchased in Pakistan before another $4 billion are provided.

Administration spokesmen point to Pakistan's failure to test a nuclear device as an indicator of the restraint that our aid has produced, which ignores numerous press reports that Pakistan has been working with a proven Chinese design. It probably does not need tests. Tests might be desirable for fine tuning, but there is little doubt that they have a design that would work.

The administration has given indications of a willingness to bend over backward to avoid an honest application of the test of possession of a nuclear device by Pakistan in order to keep the aid flowing.

It is apparent by their refusal to give a clear interpretation of the meaning of "possession" that they would have us believe that a country does not possess nuclear weapons until it has assembled every last component, every last screw in a bomb casing.

Before we accept this curious definition, we would be well-advised to recall that the entire U.S. arsenal, nuclear arsenal, in the 1940's and the early 1950's was stored in separate components. So we could have looked someone in the eye and said we do not have a bomb at that particular point. It just means it hadn't been assembled completely for delivery.

I would like to submit for the record an excerpt from the 1984 U.S. Army report on the safe storage of nuclear weapons.

One of the fundamental problems in this affair is the complete lack of credibility of the Pakistani Government's repeated assurances about the nature of their nuclear program. More than 1 year ago, the President elicited additional assurances from Pakistan that they would not produce uranium enriched to more than 5 percent. By their own admission, they have now produced bomb-grade uranium enriched to more than 90 percent.

And America, the Nation that has supposedly been standing tall for the past 6 years, has let this mendacious behavior go unchallenged. Why? Because the administration has made the decision that, as former Pakistani Prime Minister Bhutto termed it, the Islamic bomb, his words, is less important to us than ensuring military assistance to the Afghan rebels.

Much as I want to see assistance continue to the Afghans, that evaluation is wrong.

Let me just give one illustration, and we could dream up all kinds of them here, but let me give just one. To use Prime Minister

Bhutto's words again, an Islamic bomb is the ultimate threat to Israel's existence. Pakistani nuclear weapons production will, sooner or later, whether by design or by espionage, result in the wider transfer of nuclear weapons technology to countries in the Middle East. Israel, regardless of the state of her own nuclear capabilities, will have her existence threatened.

The flashpoint for nuclear war will be lowered through the combination of religiously based conflict with the means for mass destruction.

Amazingly, however, it is not only the Pakistani bomb the administration wants us to swallow in order to guarantee aid to the Afghan rebels through Pakistan. They want us also to continue, without any new nuclear restrictions, supplying Pakistan with F-16's and perhaps AWACS, so that Pakistan will have what could be an American-made nuclear weapons delivery system and an ability to protect their nuclear weapons facilities from raids by those who might not think an Islamic bomb is a benign development.

Mr. Chairman, in recent months we have seen what can happen when a nation forsakes an important global policy principle for narrow, illusory benefits. We sacrificed our global antiterrorism policy in the hope we could trade arms to Iran for American hostages. Now we are being asked to sacrifice our global nonproliferation policy in the hope that we can trade arms to Pakistan for Pakistani cooperation on Afghanistan and nuclear restraint.

What do we then say to Argentina or Brazil or South Africa or the nations of the Far East, or any of the 132 NPT signers, about credibility of the United States and trust in United States nuclear nonproposal policy?

Mr. Chairman, I, like the President, want to aid the Afghans, just as I, like the President, wished for the release of American hostages. But we cannot and should not allow ourselves to be blackmailed into making a deal that would do irreparable damage to our long-term global efforts to stop the spread of nuclear arms.

The basic objective of nuclear nonproliferation should not be so easily bargained away. Accordingly, on March 5 I urged President Reagan to suspend military aid to Pakistan pending a thorough review of the Pakistani nuclear program. I argued that this aid should not be resumed until we have obtained reliable assurances that Pakistan is no longer producing nuclear explosive materials.

In other words, they now have proven their equality with India in the ability to produce fissile material. The Indian program has been quiescent for many years. If Pakistan could content itself with having achieved that equality, perhaps even at this late stage, we can avoid an arms race.

My purpose here today, however, is to suggest legislative action on the proposed 6-year aid package to Pakistan to begin in fiscal 1988. The administration has requested approval of this package without any restrictions on Pakistani nuclear behavior.

I think this is completely unacceptable. The question is not should there be restrictions, but what should these restrictions be. Proposals to limit the amount of military assistance or the length of the proposed aid program—some have suggested 2 years instead of 6—simply fail to confront the ongoing progress of Pakistan's nuclear weapons program.

In 2 years, we will just be faced with the same tough choices between nonproliferation and other foreign policy interests that we are facing today. The only difference will be that Pakistan, as well as India and probably Israel, will have proceeded even further down the nuclear path. With Pakistan now attempting to straddle the nuclear threshold, Congress cannot afford to defer once again our responsibility to make these choices, these tough choices.

I am proposing a 6-year extension of the present waiver of Section 669 of the Foreign Assistance Act to allow both economic and military assistance to Pakistan. Under current law, which I favor continuing, this assistance would cease if the President is unable to certify that Pakistan does not possess a nuclear explosive device.

This condition should be supplemented with the following additional requirement: Military assistance should not be provided unless the President is able to certify annually to Congress that he has received reliable assurances that Pakistan has ceased producing weapons grade nuclear material.

By reliable assurances, I mean a formal written commitment by Pakistan's political leadership, verified either by onsite inspections of relevant facilities by designated representatives of the United States, or by any other technical means the United States finds acceptable.

In addition, I am proposing to amend section 670 of the same act to require that, in the event of a nuclear detonation by a nonnuclear weapons state, funds provided under all U.S. legislation, rather than just the foreign assistance and arms export control acts, would be terminated.

This would increase the cost of a nuclear test to all nonnuclear weapons states, including India, not just those with which we have close military ties.

What is the likelihood of Pakistan accepting this new condition for continued United States conventional military assistance? Islamabad is seeking our aid because it has sensibly, very sensibly, determined that such assistance would serve its national security interests. Pakistan's security reward for truncating its production of nuclear explosive materials would be substantial.

I am proposing not a scaled-down or shortened aid package, but a full 6-year, $4 billion assistance program, complete with a Presidential option to provide an airborne early warning system. I think that is more liberal than the more restrictive 2-year proposals that have been put forward.

Under my proposal, Islamabad would have to decide between an extended security partnership with the United States and the production of nuclear weapons. The rational choice is obvious. Nuclear weapons will not settle border clashes between Pakistan and India, any more than they did between China and the Soviet Union. Nor will they assure victory if a conventional war breaks out, as illustrated by the United States experience in Vietnam.

They will, however, raise the prospects of a conventional conflict escalating to the level of mass mutual destruction. Furthermore, by goading India into a nuclear arms race that Pakistan could not hope to win, a decision by Islamabad to pursue nuclear weapons would severely undercut Pakistan's own national security.

Of course, I hasten to add we cannot guarantee acceptance by the Pakistanis of this proposal. Should the condition on ceasing production of nuclear weapons materials be spurned or violated by the Pakistanis, we must recognize at that point that no diplomatic action by the United States is likely to deter Pakistan from triggering a nuclear arms race in South Asia.

In that case, we should reluctantly end our military assistance, including the sending of spare parts for the F-16's—these are the superb nuclear weapons platforms that we have been providing to Pakistan for the past 6 years—and concentrate on diplomatic activities and on repairing our tattered nonproliferation policy as it applies to other countries of concern to us.

For if we fail to take a stand on Pakistan, we will be on a slippery slope that will make it increasingly difficult for us to take a stand against any proliferator. Both India and Pakistan are now just a step away from the ability to create Armageddon. As a friend of both nations, we must redouble our efforts to prevent this nuclear nightmare.

Ultimately, we should seek a verifiable Indian commitment that it too is not producing nuclear materials, especially plutonium, for weapons purposes. We should encourage Pakistan to place its current stocks of highly enriched uranium under multilateral auspices. Consideration should also be given to a joint pledge by the United States, the Soviet Union, and China not to use or even threaten to use nuclear weapons against India or Pakistan.

The course I am proposing, though not an easy one, seems better oriented to our long-term national security interests in South Asia than is the current policy. We must never lose sight of our long-term national objectives in the region, which include limiting Soviet influence and promoting the political stability, economic prosperity, and territorial integrity of all nations in South Asia. I cannot emphasize more strongly that a nuclear arms race in South Asia would endanger all of these objectives.

Mr. Chairman, our choice is not between Afghanistan and the Pakistani bomb. It is between accepting or relinquishing our great power responsibility to contain the threat of nuclear war. But time is running out. A choice must be made.

One last word, Mr. Chairman. The view of nonnuclear weapons nations that we have no right to pressure them not to strive for a nuclear capability that we and other nations already possess is a very valid one. I agree with them. It can only be answered by saying that it is in the interests of all humanity to do our best to control the nuclear danger by not only preventing nuclear proliferation, the main theme of these remarks and these hearings, but also by showing far more progress in scaling down existing nuclear weapons stockpiles of the superpowers.

That was part of the NPT bargain, the NPT agreement with 132 nations, and they will not be patient forever. Time is indeed running out.

[The prepared statement of Senator Glenn may be found in the appendix.]

Senator SARBANES. Thank you very much, Senator Glenn.

Senator Humphrey.

STATEMENT OF HON. GORDON J. HUMPHREY, A U.S. SENATOR FROM NEW HAMPSHIRE

Senator HUMPHREY. Thank you very much, Mr. Chairman, for the opportunity. And good morning to you and to the members.

I want to focus my remarks on the importance of the President's economic and security assistance request for Pakistan. I believe the approval of that request on a practical and a dependable basis is critical to ensuring the security of both Pakistan and Southwest Asia.

Pakistan today increasingly is threatened by the Soviet Union. Where Afghanistan once provided a buffer between Pakistan and the Soviet empire, today 115,000 Soviet troops, armed with the most modern weaponry, are waging war in Afghanistan, much of it, indeed most of it, very near to Pakistan's 1,200-mile border with Afghanistan.

There is no place in the world where Soviet aggression is more vivid or naked than in Southwest Asia. In testimony before the Congressional Task Force on Afghanistan, former U.S. Ambassador Jean Kirkpatrick stated: "The Soviet goal in Afghanistan is effective incorporation of Afghanistan and achievement of a warm water port and geopolitical access to Iran and Pakistan."

I would go beyond Ambassador Kirkpatrick's statement and point out, Mr. Chairman, that the KGB has been active for years in Baluchistan, stirring up separatist sentiments, and so the Soviet interest, contemporary interest, is not only in Afghanistan, but in Baluchistan as well. And it is important to recall that Baluchistan is that part of Pakistan that has a shoreline along the Arabian Sea which is closest to the Persian Gulf.

In Afghanistan, the Soviets have resorted to massive slaughter of civilians through air and ground attack upon villages. The death toll is near 1 million, Mr. Chairman. A million people have been sacrificed in that war, 1 million out of the 15 million who inhabited that country at the time of the Soviet invasion—one-fifteenth.

To bring that into perspective, I would point out if you applied the same proportion to our American population it equates to 16 million dead Americans, if you can imagine that. And of course, except for the Afghans, it is not a matter of imagination but a matter of reality.

And I simply stress that to show the seriousness of the Soviet effort in Afghanistan and the seriousness of the threat to Pakistan.

Fully one-third of the Afghan people have fled into exile. Again, if you apply that to our American population in proportion, it is about 80 million Americans in foreign exile. That kind of brings it into focus, I think.

Throughout this horror in Afghanistan, Pakistan has stood firmly behind the people of Afghanistan. Indeed, were it not for Pakistan, there is no question, at least in the mind of this Senator, that by now Moscow would have succeeded in its brutal effort to drag bleeding Afghanistan into the Soviet empire.

For its courage and principle, Pakistan has come under direct attack by Moscow's puppet regime in Kabul. The Soviets have increasingly sought to intimidate Pakistan. As far back as 1980, the

Soviet puppet regime in Kabul was responsible for 179 airspace violations. In the past 2 years, those violations have tripled.

Last year, 1986, the Soviet puppet regime violated Pakistani airspace on 757 occasions—256 of those violations, Mr. Chairman, involved outright attacks upon Pakistan, 256 air attacks upon Pakistan, in which 45 innocent persons were killed and 77 wounded.

And in 1987 the situation promises to be much more severe. Very recent attacks, air attacks along the border aimed at Pakistani villages and Afghani refugee camps have killed an estimated 100 people.

The Soviets and their Kabul puppets have also supported deadly acts of terrorism within Pakistan. Last year there were 233 acts of sabotage, resulting in 162 deaths and more than 500 wounded. And there can be little doubt that most of those, if not all of them, were KGB- or HOD-inspired and/or carried out.

Despite the threats, despite the escalating threats and violence, Pakistan has stood her ground courageously, standing firm as a bulwark against Soviet imperialism in an extremely complex and troubled part of the world. She has provided refuge to more than 4 million Afghan refugees today, the world's largest refugee population.

Quite apart from her support of the Afghan cause, Pakistan is important because of her location at the head of the Arabian Sea and close by the Persian Gulf. The Soviets for their part, know well the geopolitical importance of Pakistan and have been stirring up trouble in that country for many years.

Mr. Chairman, as you know, the President has requested $4.02 billion in economic and security assistance through 1993. Mr. Chairman, I share the concern of Senator Glenn and others, indeed everyone, over Pakistan's nuclear program.

However, it seems to me that refusing or reducing the President's request or making it contingent on an impractical basis—and I do not mean to suggest that Senator Glenn has done so; we certainly want to consider his proposal. But I make the statement nonetheless that refusing or reducing the President's request or making it available on some impractical, undependable basis might actually have the opposite of the desired effect.

It might well have the effect of driving Pakistan toward a military nuclear option, for if Pakistan cannot dependably count on the United States as an ally and a supplier of essential military materiel, then Pakistan certainly will feel less secure in future years, and surely this would move her toward the nuclear option, rather than away from it.

The United States should do more to move Pakistan and India closer together on this issue, to achieve a regional agreement on nonproliferation. Now, that will be difficult, to be sure.

But at the same time, I have to say that a cutoff or making our assistance available on something less than a dependable basis is not the answer. I would point out, Mr. Chairman, that Pakistan for its part has repeatedly appealed to India to join in stopping the spread of nuclear weapons in South Asia.

On October 23 1985, in an address before the United Nations General Assembly, President Zia advanced five specific proposals to India:

First, simultaneous signing by both India and Pakistan of the Nuclear Non-Proliferation Treaty;

Two, simultaneous acceptance by both India and Pakistan of the International Atomic Energy Agency's safeguards;

Three, mutual inspection of each other's facilities;

Four, joint declaration renouncing the acquisition or development of nuclear weapons; and

Five, establishment of a nuclear weapons-free zone in South Asia.

I cite those five points, Mr. Chairman, to make the point that Pakistan has hardly been intransigent or unreasonable or irresponsible in this matter. Indeed, I think the blame to a substantial degree lies elsewhere.

But assigning blame is not the answer, either, any more than cutting off assistance to Pakistan. I think there are opportunities. The fact that President Zia has made this offer, has repeated it on a number of occasions, gives some hope that there is a possibility for regional cooperation and a regional agreement in that part of the world on nonproliferation, and that is the direction in which I would urge the committee to go.

It is a difficult course, to be sure. But I believe that there is some promise, based upon the generous offer, repeatedly made by Pakistan in this respect. Indeed, on March 13 of this year Pakistan's able Ambassador to the United States, Mr. Jansheeb K.A. Marker, reiterated once again his country's offer to India in a letter to the Washington Post.

I thank the Chairman.

[The prepared statement of Senator Humphrey may be found in the appendix.]

Senator SARBANES. Thank you very much, Senator Humphrey.

Senator Adams, I gather you have another commitment so why do you not go ahead and ask your questions first.

Senator ADAMS. Thank you, Mr. Chairman, and thank you, Senator Moynihan.

I have only one question, Senator Glenn. On the nonproliferation matter, we have in our State what were under construction a series of peaceful nuclear reactors. Most of them have not been completed and one in particular is about 63-percent complete. It was to be a civilian power reactor.

My question is, Would we be sacrificing our global nonproliferation policy if we convert this facility, which is under a construction license, into a tritium and plutonium production facility?

Senator GLENN. Well, on technical/legal grounds we would not be. The way the NPT was drawn up and all the legislation that has passed since then with regard to trying to cut down the spread of nuclear weaponry around the world, it was done with the existing weapons states under one criteria and nonweapons states under another.

Now, that was just dealing with realism. And we wish we could go back to the days of Lilienthal and Baruch, perhaps, and put all things nuclear under some sort of international control. But we cannot go back to those days.

So what we have done through the years, starting well before I got to the Senate, but proceeding since I have been here also, is say that the weapons states were not prohibited from keeping their weapons, but they did have a commitment to the NPT signatories, the 132 nations, to try to negotiate to bring such things as the existing weapons stockpiles, down under control and scale them down.

In return for that, the NPT signers that were nonweapons states have said that they would foreswear, they would give up any efforts of their own to get the nuclear weapons capability. And in return for that also, we would cooperate with them fully in the peaceful uses of nuclear energy, including electrical generating plants and so on.

Senator ADAMS. I was just asking, if we convert our tritium facility, which was built on a civilian license, into a military reactor, do we endanger our global policy on nonproliferation?

Senator GLENN. We may endanger it, but I do not believe we would be violating any formal international commitment.

Senator ADAMS. Thank you.

Thank you, Mr. Chairman.

Senator SARBANES. Thank you, Senator Adams.

First of all, Senator Glenn, the statement and other exhibits that you wanted included with your statement will be included in the record.

Senator GLENN. Thank you, Mr. Chairman.

Senator SARBANES. Second, Senator Cranston, who is a member of our subcommittee, has sent me a note. He is delayed in the Capitol and has asked me to express his regrets to you, Senator Glenn. But he says he looks forward to reading your testimony and working with you to fashion legislation covering the Pakistan situation for the committee's consideration.

Let me say to both witnesses, leaving the nuclear issue to one side—and that is a big issue to leave to one side, obviously, so I will come back to it in a minute—but both of you seem to proceed on the premise that the existing aid levels are realistic in the context of the budget that has been submitted to the Congress. And I just want to express some skepticism about that at the outset.

It seems to me that the foreign aid request has been given to us in the context of a broader administration budget which, overall, is unrealistic in many of its assumptions. And I simply want to send a warning signal in that regard.

This is not an issue that you specifically addressed in your presentations.

Senator GLENN. Mr. Chairman, I have not addressed that. My concern was on the nuclear matters, and I have not even looked at specifically the proposals within that $4 billion 6-year aid package.

Let me just add, if I might, that I do not disagree with Senator Humphrey on anything he said. I agree with the necessity of this. I agree completely with the role that Pakistan has played. I just think that we are on the horns of a dilemma, as I said in my statement.

We have those concerns now weighed against the nuclear nonproliferation concerns that I see as being enormous. And we have fought this fight so long, and I just hate to give it up now when we are just at almost a watershed, I feel. If we permit a nation that we have had dealings with to go on as they are in the development of nuclear weapons, then we have very little to stand on with other people.

And that was my major concern that I addressed this morning.

Senator HUMPHREY. I have nothing to add to that, Mr. Chairman.

Senator SARBANES. Let me put this question to you. Is it your perception that it serves Pakistan's interests to be of assistance to the Afghan rebels, or are they doing it only as a favor to the United States?

Senator HUMPHREY. Let us be glad they are doing it, whatever their motivation, because it is as much our fight to contain Soviet imperialism, Mr. Chairman, as Pakistan or any other nation that might be concerned about that.

Senator SARBANES. So you think it serves Pakistan's interests?

Senator HUMPHREY. Of course, certainly.

It serves our interests, may I add, to assist Pakistan in economic and with military assistance so that she can continue to remain a bulwark, because if the Soviets get away with Afghanistan, this being the first time since World War II where she has used her troops and invaded a neighbor, then we can only expect she will be encouraged toward more such adventurism.

Senator GLENN. Mr. Chairman, I have a statement here by the Pakistani Ambassador, if I can find it in these papers here, that applies to that. And it says that they were in—Pakistan—this is part of a letter he wrote to the Washington Post. He says:

> Pakistan's policy on Afghanistan is governed by principle. It is a matter of historical record that Pakistan's opposition to the Soviet invasion of Afghanistan commenced with the intervention itself, and certainly long before, at least a year and a half, the first United States aid package was initiated.
>
> Nothing will deflect us from adhering to these principles, which indeed forms the basis of our position in the current delicate political negotiations for the withdrawal of Soviet troops from that unhappy land.

That is one paragraph out of his letter to the Washington Post. And I take him at his word on that. That was on March 13 here.

I think they see the support for the Afghan rebels as in Pakistan's interests, and I agree with them on that.

Senator HUMPHREY. May I, Mr. Chairman, just offer an opinion. Perhaps the Soviets were given an extra degree of boldness in their plan to invade Afghanistan by the earlier cutoff of American assistance. That is not something one can prove. It is only an opinion, and probably they would have gone in there even if we had not cut off our assistance.

But it seems to me that there is more involved here than dollars. There will be signals sent to Moscow by the Congress if we cut off or substantially reduce or make this aid available on less than a dependable basis, signals to Moscow that our security commitment to Pakistan is less than formerly.

And perhaps Moscow will then become more intransigent in the talks over Afghanistan and more adventuristic in other parts around her periphery.

Senator SARBANES. Well, of course the sharpness of the dilemma is to some degree related to the premium you place on the nuclear nonproliferation policy and how important you regard it as being.

I am not quite sure I understand the argument that not providing aid will move Pakistan toward the nuclear option, when we are in the position of having provided aid and seen them move precisely in that direction.

Senator **Humphrey**. That is the dilemma, I think, or part of it, Senator Glenn was talking about. Clearly, if Pakistan feels less secure with respect to India, less secure with respect to her northern neighbor, Afghanistan, then she is going to use her limited resources in the most leveraged way.

That means nuclear weapons, it seems to this Senator.

Senator **Sarbanes**. But 6 years ago when we granted a waiver, in effect committing ourselves to a 6-year package that was significant in both economic and military terms, one of our major premises was that this would provide a certain degree of security to Pakistan with respect to the overall United States relationship, and would induce them to forgo the nuclear option.

I gather neither of you quarrels with the assertion that they have nevertheless moved toward a nuclear option, do you?

Senator **Humphrey**. I am willing to take the opinion of the State Department and others who have more expertise in this than I.

Senator **Glenn**. Mr. Chairman, I would add that I do not think anyone, State Department or anyone that has followed this closely, doubts that they are moving toward a nuclear weapons capability.

Senator **Sarbanes**. Your proposal, as I understand it, would be to again establish a 6-year context, but to carry forward the existing certification or to strengthen it?

Senator **Glenn**. Certification would be required, and the President would certify that Pakistan does not possess a nuclear explosive device. But the condition would be supplemented with the following additional requirement: Military assistance should not be provided unless the President is able to certify annually to Congress that he has received reliable assurances that Pakistan has ceased producing weapons-grade nuclear material.

"By reliable assurances," I mean a formal written commitment and onsite inspection or other technical means that the United States might find acceptable to verify that.

Now, it seems to me that it is in Pakistan's best interests to accept that and do it on a 6-year basis. I do not want to see 2-year waivers, where we just defer today's decision 2 years and then we will be sitting here doing the same decisionmaking 2 years from now.

I would like to make the decision now, make the point with Pakistan, make it forcefully now. And I think it is in Pakistan's own self-interest to go along with this, and I think they know that.

The likelihood of conventional war being the war that might be fought in that area is far greater than anything else Pakistan faces, and we are their principal supplier of conventional arms and they know that. And I think this should be an easy bargain. But as I said, their feelings about India's getting the bomb back in 1974 or in setting off a "peaceful nuclear explosion," as India called it, was so great that Prime Minister Bhutto said, we will eat grass to get a similar capability, and embarked on a program to do exactly that. And it has been going ever since.

I am very concerned about the same thing Senator Humphrey is concerned about. I do not want to see aid terminated. I have been up in that Khyber Pass, been in the refugee camps over there. I know the horrors of that, and I do not want to see aid to the Afghan rebels, who are fighting for their country's freedom, I do not want to see that terminated.

But on the other hand, we have to consider what happens if we start a nuclear arms race in South Asia, what happens if Israel starts building, what happens if this "Islamic bomb," as Prime Minister Bhutto termed it, becomes more commonplace throughout that part of the world, where religious feelings run very, very high?

Are we taking ourselves down the path toward a potential nuclear explosion in the future? Yes, I believe we are. And that is what we have the option to prevent now, or at least take a stand on it, without any fear or favor.

So I am torn. As I said, I am on the horns of a dilemma. I want to continue aid, but I see a bigger problem out here that I have tried to address for many years, which we all have. You, I have known your concern in this area for many, many years also.

And it is just a very difficult situation, but I do not see that the decisionmaking is going to get any easier if we put it off for another 2 years. I would like to make a 6-year commitment. In return for their assurances, then we get on with this thing. That to me seems the way to go.

Senator **Sarbanes**. Senator Kassebaum.

Senator **Kassebaum**. Thank you, Mr. Chairman.

I would just like to ask you, Senator Glenn, from what I know you have spent a long time trying to be thoughtful in determining how best to handle this. You are asking the President for assurances.

How will these assurances be verified? How will we be able to——

Senator **Glenn**. Information about what facilities are properly being used in this nuclear weapons effort, and some sort of onsite inspection of those facilities, in addition to their written assurances, or using whatever other national technical means we might have to verify.

I think the verification procedure would be easy to work out once we had an agreement that they would stop nuclear fissile material from being manufactured.

What I see now is they have proven they are as capable as India of making fissile material. That was a big breakthrough. That is good for their national pride. That is good for their own internal consumption there.

Now, if they continue with the weapons program, then India is going to feel they have to proceed also. And maybe Israel then feels they have to proceed. That is the danger I see coming out of it.

So I think we should strive for the agreement that they would say, OK, we have proved ourselves, now let us stop, and match the Indian program, which has been basically quiescent to a large extent since 1974.

Senator **Kassebaum**. But neither India nor Israel allow onsite inspection, do they?

Senator **Glenn**. No, that is very true, and that is one I would hope we could work out also.

Senator Humphrey listed the Pakistani proposals to India, which I think are excellent. I wish both countries would agree to that and sign the NPT, accepting IAEA, mutual inspection, renouncing nuclear weapons, and a weapons-free zone in that area.

I hope we can move toward that. I think maybe enabling us as a first step to move toward that would be to get Pakistani agreement not to continue just increasing the amount of fissile material manufactured.

Senator **Kassebaum**. Senator Humphrey, you in listing these mentioned that evidently President Zia first brought this up in October 1985 at the United Nations, and discussions have gone back and forth. Do you have any idea why—what India's objections are?

Senator **Humphrey**. Well, I am hardly qualified to speak for India. India is concerned about the Chinese nuclear program. India has termed Pakistan's offer insincere, which I do not understand. I think they are very generous offers. They have been made repeatedly.

But I do not want to get—I would like to—I do not want to contribute to the conflict between those two nations, because it is unfortunate and it does not make much sense to me.

Let me just say, in the context of what Senator Glenn said, by way of suggestion that one point of his proposal is that we require inspection of the Pakistani nuclear facilities; that we might likewise require inspection of the Indian facilities if we provide India with the advanced high technology she is seeking from us.

That might be a way to encourage a regional pact of this kind or arrangement.

Senator **Kassebaum**. Thank you.

Senator **Sarbanes**. Senator Moynihan.

Senator **Moynihan**. Senator Glenn wanted to say something.

Senator **Glenn**. I was just going to make a comment if I might, Mr. Chairman. Some years ago when I was still a member of this committee, I met with Prime Minister Desai when he was in this country, Desai of India. And I had hoped to convince him to take the leadership in the Third World in saying: "OK, we will foreswear the nuclear option while the major nuclear superpowers try to negotiate arms control and get this down."

His view on that was and his reply to me—we met one on one over in the other building, and his reply was: "What gives you the right to say that because you developed nuclear power and nuclear uses, including explosive powers, first, that just because you got it first, if we develop it ourselves we cannot have the same right to develop those things that you have?"

And that is a tough one to answer, because he is absolutely 100-percent correct. And my answer to him at that time was only commonsense: "We wish we could go back to the days of Lilienthal and Baruch and maybe put all things nuclear under some sort of control, but that is 20-20 hindsight."

And I said: "In the name of humanity," is all I could reply, "Mr. Prime Minister, that we try and get control of this. And we are willing to say we will try and negotiate with the Soviets and other nuclear powers, we will try and get the weapons down, if you will just forgo the weapons option here with the other nations and NPT signatories."

But he would not accept that. Their view was that, he said he would pledge that as long as he was Prime Minister there would never be another nuclear explosion set off by India, but that he could not guarantee what would happen after that, because India had just as much right as anyone else to develop what they with their own scientists could develop.

And he is right. Commonsense, though, says we have to try and control this thing before we wind up with every nation having nuclear weapons and wind up with nuclear bombs being used in little border wars someplace, that might give us horrendous difficulties.

Just to carry this one step further, and I will not belabor this all that much, but in China I talked to Deng Xao-Ping once in China some years ago, about would they be willing to enter into negotiations like this, since they were now a major nuclear power and developing an ICBM capability.

And his reply then was: "Well, you and the Soviet Union have much greater numbers of nuclear weapons than we do. You get negotiations going with the Soviet Union. When you get down to where we see your stockpiles approaching ours, then we will be willing to sit down and talk."

So that is sort of where we stand these days.

Senator **Kassebaum**. Thank you.

Senator **Sarbanes**. Senator Moynihan.

Senator **Moynihan**. Mr. Chairman, could I continue a moment on the point that Senator Glenn was making, and which in turn followed the point that Senator Humphrey was making. It happens I was the American Ambassador in New Delhi at the time of the peaceful nuclear explosion, which throughout New Delhi was known as "The Bomb."

And it fell to me to call on Mrs. Gandhi, then Prime Minister, to present a note from our Government which was predictable in its contents. And I took the liberty of making clear I was not speaking for my Government, but just as an individual who would soon be departing, to say: "You know, this means that in 10 years time there will be a nuclear weapon in Islamabad; and they are the great levelers, and there will be no undoing this."

And it is a curious part—it is an aspect of nationalism that as people get these nasty technologies, they very easily assume other people will not, you know, as smart as we are. It was a great surprise to the Americans to find that the Russians are smart, too, you know, and then that the Indians were.

And mind you, the Indians were in Rutherford's laboratories in Cambridge a generation before our people were, and the Pakistanis were not different from the Indians.

But you may know—I am sure you have seen The Observer of March 1, in which Dr. Khan, Abdhul Qadar Khan—oh, you have it: "They told us that Pakistan could never produce the bomb and they doubted my capabilities, but now they know we have done it." I am sorry, you have it already.

My point would be that—my question would be, is this not progress inexorable? We have not shown the political capacity under the NPT to reach any agreement with the Soviets. We have not.

We just went through and we are in the final stages of an administration that was determined that we would not. But I mean, we did nothing after 1974. I think there was an effort, but nothing came to it.

And technology is not difficult. Technology is easy. The great secret of technology is anybody can do it. It takes resources, but nothing much more. The science is hard; the technology is easy.

And in any event, these are hugely capable people. I mean, there are Indians who are in their second generation of Nobel Prizes in Physics in the same family. And they are never going to do anything that suggests that their relationship to China is not equal, never. And they are never going to do anything that suggests that they have to negotiate with Pakistan. They do not.

Is there an alternate strategy? I do not ask either of you to accept these propositions. Clearly, we have responsibility to the Afghan refugees. But is there a strategy that has to do with something that requires technology, but also requires very expensive technology, like F-16's and AWACS, that might be the gesture we use in terms of the actual use of a weapons capacity which I would think inexorably will spread to 30 countries. But I do not know. But you could say in 1974: "Madam Prime Minister, in 10 years time there will be a weapon in Islamabad." And well, it was 12.

If you accept that there is no way to prevent that, is there a way, is there some way we could prevent its use?

Senator HUMPHREY. SDI.

Senator MOYNIHAN. SDI.

Senator HUMPHREY. In all sincerity, I am not being funny.

If we advance that technology in this country, it will likewise spread around the world, as has nuclear offensive technology. I think that that, even more than the Soviet threat in my view, the Third World threat, is a greater stimulus, ought to be a greater stimulus, to developing antimissile technologies on a practical basis than——

Senator MOYNIHAN. But we do not have an SDI. We do have AWACS and F-16's and C-130's and F-15's. Are they not the incidence by which we would deliver a nuclear weapon if it were to be done by manned craft?

Senator HUMPHREY. No question. You are talking about the elements of the President's proposed package, and I understood that to be your question. But I just wanted to jump over that, leapfrog it, if you will.

Senator MOYNIHAN. Bringing up SDI.

Senator HUMPHREY. Well, I think it is a valid point. I do not know. I am not prepared. Perhaps Senator Glenn has analyzed what might be a better package. I have not.

Senator GLENN. Well, let me add. I do not think SDI would apply in this case, because the delivery systems we are talking about as a potential would be either short-range missiles, very short range, or they would be more likely F-16's or aircraft delivery systems of one kind or another, or it would be a bomb aboard a ship driving into someone else's harbor or something like that, that SDI would have literally nothing to do with as I understand it.

To address your previous question Senator Moynihan, "Do I think this an inexorable spread of technology and equipment," and the answer has to be an absolute "Yes." It is inexorable. It will spread.

That is the exact reason why back in 1978, when I was pushing very, very hard for the Nuclear Non-Proliferation Act here, that was exactly what we felt at that time, was that, look, this is still—the equipment and the real technology for bombmaking was still the province of only about five or six nations at that time.

We could not go back and unring the bell from years ago, when we wished we had controlled this stuff more carefully. But we did have a time period where the technical equipment, the very technical equipment used in uranium enrichment or in reprocessing, was still for the next few years, for probably 12 to 15 years, was going to be only available through certain limited countries.

And so we said: "OK, let us make the best of a bad situation. We wish we could control all nuclear weapons. We cannot control them." So what we will say, "We will pledge to do our best to negotiate with the Soviets and get these stockpiles worked down.

At the same time, in heaven's name, over here on the NPT side, let us not spread them to more nations and make the problem more difficult. That is what it was all about. And was it a perfect solution? No, it was not, because we started out from an imperfect base. We were trying to keep our finger in the dike for that what I thought in 1978 was 12 to 15 years before, if we did not get it under control, any nation that wanted a bomb would probably have the technology and available equipment to get a bomb.

And that is the timeframe in which we are still working.

Senator MOYNIHAN. And nothing has changed your——

Senator GLENN. Nothing has really changed, except I think we have been very, very laggard in not getting ahead with the first of those premises, that we would agree to negotiate with the Soviets to get the superpowers' stockpiles worked down.

We are very laggard in that. We are 5 years, 6 years into this administration before we get around to really talking about any serious arms control talks. I do not think they are the panacea for everything, but at least we are trying to prevent nuclear weapons becoming so commonplace that eventually wars will just be nuclear wars almost automatically some time in the future.

And that is what we were trying to prevent.

Senator MOYNIHAN. Well, sir, I thought you were right then. I think you are right now. And I do not know what to do about it.

Senator HUMPHREY. Well, I wish we had some better answers, too, Senator. I truly do.

Senator SARBANES. It is a dilemma.

Senator Boschwitz.

Senator BOSCHWITZ. Mr. Chairman and Senator Glenn and Senator Humphrey, I am sorry that I missed your testimony, and I would say to my friend Senator Glenn that SDI certainly does have a very important role to play with short-term missiles. Certainly the Israelis think so, and they are developing——

Senator GLENN. I was thinking more——

Senator BOSCHWITZ [continuing]. A good deal of technology.

Senator **Glenn**. I do not disagree with that if you get a missile which goes up high enough, ballistics. I was thinking of the very short-range, battlefield types or Cruise missiles, things like that, that SDI does not work against. If you get up above the atmosphere, then SDI does have some implication there.

Senator **Boschwitz**. Well, as you know, the delivery systems for most of these missiles do indeed get up above the atmosphere. It is not clear what the delivery systems will be for the various nations, but certainly the principles of SDI and heat-seeking missiles have an application with respect to delivery conveyances such as airplanes as well.

I would agree that there is not as much control through SDI, however, of a ship pulling into a harbor.

But I was trying to read your testimony in the interim of Senator Moynihan's questioning. In the event that we were—I presume that your testimony says that we should invoke the Symington amendment and stop aid to the Pakistanis inasmuch as they appear to be moving forward with a nuclear capability, is that correct?

Senator **Glenn**. Well, what I proposed was that we approve the 6-year extension that the President has asked for, but we do it with a couple of caveats, however; we say that the assistance would cease if the President is unable to certify that Pakistan does not possess a nuclear explosive device, and then we make a further requirement that military assistance should not be provided unless the President is able to certify annually to Congress that he has received reliable assurances that Pakistan has ceased producing weapons grade nuclear material.

That is the threshold we are at right now. And by "reliable assurances," it would be a written commitment and either onsite inspection or a national technical means that we might be able to develop to know that they are not producing these materials.

Senator **Boschwitz**. Do you believe that the Pakistanis would abate, that they would not continue in their efforts, in the event that we were to withdraw aid? Some people say that they would hasten, that we would leave them nothing other than that option, that we would hamper their conventional option against their enemies, perceived or real, and that they would thereby seek to move a little faster with respect to their nuclear option.

Is our aid, in short, going to have any impact on the Pakistani decision, presuming that all of the denials that you spoke of in your testimony, that I also heard with you, that they turn out to be false, as they appear to be? Will we in any way impact the Pakistani decision to go forward with nuclear means by withholding our aid?

Senator **Glenn**. I would think that Pakistani analysis of this would indicate the same thing that it would indicate to me, and that is that their greatest need is in the conventional weaponry field. And that is what they are going to be most concerned about.

And I would think that, after they consider all this, I would not think that this would increase their likelihood of going to nuclear weapons. They have been driving as hard for that as they possibly can for a number of years. I do not know how they could put much more effort into it.

Senator **Boschwitz**. Well, I am not intimately familiar with the extent of their efforts or whether that effort could be yet enhanced. But it seems to me that the withholding or granting of our aid probably will not have much impact on it.

And therefore, should we penalize them with respect to conventional capability?

Senator **Glenn**. Well, my main concern, Senator Boschwitz, as I have indicated in my testimony, is this is the real horns of a dilemma for me. I want the aid to continue. I consider myself a friend of Pakistan. But I am also even more concerned that under the NPT and all of the legislation that we have with regard to control of nuclear technology and equipment around the world, that Pakistan's nuclear program has to take the prime spot, the No. 1 spot in my considerations on this.

I think if we set off a nuclear weapons race, if this truly is, for instance, as Prime Minister Bhutto termed it, an effort to get the Islamic bomb—those are his words, not mine; that indicated how he considered the weapon. If we are to start that kind of an arms race between India and Pakistan and perhaps Israel and Pakistan, then I think we do no one any good.

If we are to have an Islamic bomb that—you know, there have been rumors for years about Qadhafi's effort to get a bomb. I am not saying—and the rumors that he backed Pakistan's efforts, we have never been able to prove that, although it keeps surfacing and keeps getting published about once every 2 years.

It has been about three or four times now that has been published, and every time it is published I run out and get another briefing.

But if this is to be President Bhutto's latter day Islamic bomb, the import of that for Israel and for other nations in the Mideast, for South Asia, for India, is horrendous.

And along with that, when we have a policy then and we do not enforce it, are we to say then to 132 signers of the NPT that it meant nothing to sign up, go your own way? How about Argentina, Brazil? That is what I am concerned about. So we have these bigger concerns that I think are very valid concerns, and that is what I am trying to address.

Senator **Boschwitz**. Well, we both know that President Bhutto is no longer around. And I see that my time is beginning to expire.

It is my understanding that the Pakistanis would be amenable to the NPT and that they also have asked the Indians to join them in that and to join them in other types of verification and procedures. Why have the Indians not been cooperative in any regard in this sense?

Perhaps part of the answer could be that we would invoke upon the Indians to be a little bit more cooperative. You know, the Pakistanis are supposed to have difficulties with the Indians, and the Indians are certainly not very cooperative.

Senator **Glenn**. I think part of it has been the Indian pride. I do not know whether you were in the room when I——

Senator **Boschwitz**. Pride. They have been talking about that for as long as the Pakistanis have been talking about not doing anything.

Senator **Glenn**. Let me answer your question first here.

Were you in the room when I talked about Prime Minister Desai?

Senator **Boschwitz**. I just came in when you said that you had spoken with him.

Senator **Glenn**. I think it is indicative of the Indian attitude, and I will repeat it here very shortly. But I met with Prime Minister Desai once years ago when he was in this country, and I was trying to convince him to take the leadership of Third World nations and foreswear nuclear explosions, while we tried in turn to get the nuclear bomb stockpiles negotiated down with ourselves and the Soviet Union.

And his view, after I made my presentation to him, was that, what gives the United States any right to say what other nations can or cannot develop? And he indicated they were the greatest—they were the largest democracy in the world, and the fact that we happened to develop it first did not mean we had any right to tell them they could not develop it later if they did it with their own means. And he is absolutely right.

My answer to him was that commonsense tells us that if we keep on building and that more and more nations get the weapon, then some time we are going to have a nuclear war, and it is not going to do anybody any good; and what we had is a short period of time here in which, if we get the superpowers negotiating their stockpiles down, at the same time prevent the spread of nuclear weapons to more and more countries, that maybe we finally can control this whole thing, hopefully, before nuclear weapons become commonplace in even border wars.

And the technology and the equipment to exercise that technology is spreading very, very rapidly. So I think the direct answer to your question is the Indians saw it as in their right to do whatever anybody else did and they did not want anyone interfering with them, so they went ahead.

Senator **Boschwitz**. Well, that is apparently what the Pakistanis think with respect to building the weapon.

Senator **Glenn**. I think you are absolutely correct. And the Pakistanis have made excellent proposals to India. And I wish India, I wish they would accept them. Senator Humphrey listed those a little while ago here, and it was the five points that the Pakistanis presented to the Indians.

And I would encourage India to consider those again in the current situation, where we know now that both sides are going to have nuclear explosive capability. I would hope India might reconsider this and accept the Pakistani proposals. That would be a mammoth step forward. I would encourage them to do that.

Senator **Boschwitz**. Thank you.

Senator **Sarbanes**. Gentlemen, thank you. I want to put one question to you. Are you familiar with the speech Ambassador Hinton gave on nuclear nonproliferation at the Institute of Strategic Studies in Islamabad on February 16? And if you are, what is your view of that speech?

Senator **Humphrey**. I am acquainted with it only by news accounts, which probably means not in its entirety. My only thoughts are that we ought to be encouraging the Indian Government as much as the Pakistani Government to resolve this problem, because it lies on that axis. And until it is solved on that axis, I think it will not be solved.

Senator **Glenn**. I am familiar with the statement that Ambassador Hinton made. I have read that, and when he was back here for a chief of missions conference just a couple of weeks ago he came to the office and we discussed that and his comments on it and his views of it.

And he is also—out of the Time magazine article this morning that I referred to earlier, one of the little parts of that says: "Zia insists that Pakistan has not yet manufactured enriched uranium, an assertion that is doubted by some observers, including U.S. Ambassador to Pakistan Dean R. Hinton."

I would presume that that refers to his speech that he gave, in which he warned that the administration would have a great deal of difficulty certifying that Pakistan did not possess nuclear weapons unless they desisted from what they were doing.

That was the general summary of his speech that he gave.

Senator **Sarbanes**. And of course, he makes the interesting point that if Pakistan persists they may in fact drive a race in nuclear arms which will turn out to be to Pakistan's disadvantage. In other words, seeking to achieve this, in a sense only short-run breakthrough, because they could well suffer a long-run disadvantage.

I felt that to be the central thrust of his speech.

Well, thank you very much for your testimony.

Senator **Humphrey**. Thank you, Mr. Chairman.

Senator **Glenn**. Thank you, Mr. Chairman and the committee.

Senator **Sarbanes**. Secretary Murphy, if you would step forward with the panel of administration witnesses, we would be happy to hear from you.

Mr. Secretary, we are pleased to have you and your associates before the subcommittee to discuss the administration's foreign assistance request for the Near East and South Asia. Perhaps you could present your associates and then proceed as you deem appropriate. We would be happy to hear from you.

STATEMENT OF HON. RICHARD W. MURPHY, ASSISTANT SECRETARY OF STATE FOR THE BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE; ROBERT PELLETREAU, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL SECURITY AFFAIRS, DEPARTMENT OF DEFENSE; ROBERT BELL, DEPUTY ASSISTANT ADMINISTRATOR FOR ASIA AND NEAR EASTERN PROGRAMS, AGENCY FOR INTERNATIONAL DEVELOPMENT, AND JAMES NORRIS, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. **Murphy**. Thank you very much, Mr. Chairman.

I have on my right Deputy Assistant Secretary for International Security Affairs, Department of Defense, Mr. Robert Pelletreau; the Deputy Assistant Administrators for Asia and Near Eastern Programs from AID, Mr. Norris and Mr. Bell.

Mr. Chairman, we are pleased to be here to discuss the fiscal year economic and security assistance request for the countries covered in the Bureau of Near Eastern and South Asian Affairs.

Our security assistance is an integral part of our policy, in part a reflection of American humanitarian considerations, in part the need to protect and advance our national interests. This is especially true in the Near East and South Asian region, where vital economic, political, and strategic American interests converge and Soviet pressures continue to grow.

This is a region of great turmoil. There are by present count some six regional conflicts, plus the internal conflict in Lebanon and Sri Lanka. These all pose threats to stability and progress, in some cases for the individual countries and others for the region.

Soviet aggression in Afghanistan is especially serious as a threat to South and Southwest Asia. Our assistance provides our friends a signal of our support and the means to defend themselves. It reduces the potential of involvement of American forces.

Carefully selected security assistance and arms transfers are an investment in our own security. They aid deterrence, they help to keep open American military access to the region, and arrangements for access to military facilities in certain countries lessens our military support requirements.

We had some painful overall budget cuts last year. We believe we have a strong case for maintaining foreign aid at a level adequate to protect and advance American interests in the Near East and South Asian region.

Last year Congress reduced our request by 25 percent for nonearmarked countries in the Near East, South Asian region. Our proposal for fiscal 1988 is 2 percent below that of last year's request. We have made every effort to consider carefully our requests in the light of our interests and the military and economic needs of nations that rely upon us.

I have submitted a long written presentation outlining the specifics of our aid request for individual countries and the political factors that we have taken into account in determining these figures. I would like to stop my oral remarks to this point, so I could respond to your specific questions.

Thank you, Mr. Chairman.

[The prepared statement of Secretary Murphy may be found in the appendix.]

Senator SARBANES. Thank you, Mr. Secretary. How did you want to proceed now with respect to your other associates?

Mr. PELLETREAU. In view, Mr. Chairman, of this subcommittee's particular interest in Pakistan, I would like to offer a few words on Pakistan's need for a small number of early warning aircraft as part of its air defense system on the Afghan border.

First, the threat that Pakistan faces from Soviet and Afghani aircraft is very real. There were over 700 incursions into Pakistan in 1986. That is a rate of almost two per day. And already in 1987, there have been well over 200 such incursions.

Bombing attacks against Pakistani villages over the last weekend in February alone resulted in something over 100 casualties.

Second, the terrain along the border represents the most difficult set of problems imaginable for an air defense planner. The border is nearly 1,200 miles long, extending from the Baluchistan high desert plateau in the west to the mountainous central sector, with deep valleys and peaks in the 15,000- to 20,000-foot range, to the Hindu Kush in the north with peaks over 25,000 feet.

Beginning in 1984, within the framework of our joint consultative group with Pakistan on security cooperation, Pakistan requested the assistance of United States air defense experts in finding solutions to the problem it faced on its western border.

The United States professional military recommendation has been that Pakistan must deploy a mix of capabilities to give it the most warning and the best firepower to meet this specific threat. On the warning side, the things that are included are ground-based radars, aerostat balloons, and some kind of air early warning platforms. Firepower includes the F-16 interceptor aircraft Chaporral missiles, Stinger missiles, conventional antiaircraft equipment.

Because of the masking problems and the rugged mountainous terrain, United States experts have recommended that Pakistan acquire a small number of early warning aircraft, either the E3A or the E2C, which are the two early warning aircraft that the United States manufactures, to provide a warning capability that would not otherwise be achievable.

A mobile air platform operating between 20,000 and 30,000 feet can see potential attacking aircraft shortly after their takeoff from air bases near Kabul, Kandahar, or Jilalabad, a distance of 160 to 200 nautical miles from the frontier, providing a warning time of some 20 minutes or more, sufficient to scramble aircraft from Kamra or to notify ground missile units or airborne interceptors that are within range of radio notification.

No combination of ground-based radars can provide this coverage, nor can Pakistan's current practice of random F-16 patrols, which are rarely and only by luck in the right place at the right time.

Pakistan has carefully been examining the capabilities of these two early warning aircraft, examining the tradeoffs in capabilities, cost, training, and delivery times that each would offer, as well as other relevant factors. We do not yet have a definitive Pakistani request and have not therefore made a final decision on a sale or put together a definite package to bring to the Congress for its review.

We do believe, however, that a small number of early warning aircraft will significantly enhance Pakistan's air defense and deterrent capability on its Afghan border in ways that cannot be met by other means, and that a few such aircraft in Pakistan's inventory will not alter the military balance on the subcontinent or diminish in any significant way India's impressive advantages in nearly every major area of military power, including especially its air force.

Thank you, Mr. Chairman.

Senator **Sarbanes**. Thank you, Mr. Secretary.

Mr. **Murphy**. Mr. Norris has a brief statement.

Mr. **Norris**. Mr. Chairman, members of the subcommittee: Mr. Bell and I appreciate the opportunity to appear before you today to testify on AID's program for the Near East and South Asia. For fiscal year 1988, we are requesting authorization for a program of development assistance and ESF which totals more than $2.6 billion.

Although this is a substantial amount, when Israel and Egypt are fenced off, the remaining budget for Near East and South Asian countries is $615 million. Assistance to Pakistan takes more than $300 million more of this balance. Thus, the remainder of approximately $315 million available for Near Eastern and South Asian programs must cover a wide range of United States interests in a span of countries from Morocco to Sri Lanka.

Many of these countries, such as Afghanistan, Jordan, and Tunisia, are also critical to our strategic and foreign policy interests. Our foreign policy interests in the Near East and Asia are critical and must certainly receive adequate resources.

Yet many of these countries, particularly in South Asia, also pose an important development challenge for the United States. More people are hungry, more children are born, more children die, and there is more illiteracy in Asia and the Near East than in the rest of the developing world combined. The overriding concern of AID in these countries must be the millions of poor people trapped in deep and oppressive poverty.

We believe that AID has demonstrated its ability to work effectively in these countries. Famine is no longer the scourge it once was. Many couples who so desire now have access to the means to determine their family size, and new child survival technologies have proven feasible.

Nevertheless, annual per capita incomes in South Asia are below $400 per year in all countries and below $750 per year in several Near Eastern countries. Increased economic growth is essential to reducing this poverty. Our strategy is to work with these countries to create the policy environment necessary to permit growth.

In most cases, this will include a strengthened role for the private sector. The engine of growth for these economies must come from the creation of productive employment in rural areas and the growth of rural incomes. As incomes grow, the poor will be able to procure food, reducing hunger, and at the same time increasing effective demand for agricultural output.

For this strategy to succeed—and we are convinced it can—we must have adequate resources to continue to influence development choices of these countries. Development assistance for Near Eastern and South Asian countries has declined significantly since 1985, by nearly 50 percent in the case of South Asian countries excluding Pakistan.

We believe it is vitally important for us to help the countries of the Near East and South Asia begin to solve their poverty problems. In the long run we think this is humane and will also contribute to our vital security interests.

In our view, the development assistance we are requesting is the minimum necessary to meet our important objectives in this region.

Mr. Chairman, members of the subcommittee, there are many complex issues confronting the countries of the Near East and South Asia. We have submitted a detailed statement for the record, and would welcome any questions you may have regarding our program. Mr. Bell will address questions on the Near East and I will take those on Asia.

Thank you.

[The prepared statement of Mr. Norris may be found in the appendix.]

Senator SARBANES. Gentlemen, thank you very much.

Mr. Secretary, first of all, am I correct that the aid levels to Israel and Egypt combined are, in the current year $1 billion below what they were in the previous year?

Mr. BELL. If I may answer, the difference has to do with the supplementals which were provided for both those countries.

Senator SARBANES. I understand that. But I just want to be clear. I have these figures in mind. Israel's aid level dropped $750 million in the current year, is that correct?

Mr. BELL. Correct.

Senator SARBANES. And the current level, a drop of $750 million from the 2 previous years, would then be carried out into the next year under your request, is that correct?

Mr. BELL. Correct.

Senator SARBANES. And Egypt dropped $250 million, is that correct?

Mr. BELL. That is correct.

Senator SARBANES. From the previous 2 years?

Mr. BELL. Correct.

Senator SARBANES. And that reduced level, the drop reflecting a $250 million drop, would also be carried out under your request into the next year?

Mr. BELL. For fiscal years 1988 and 1989, that is correct.

Senator SARBANES. Right.

Now, Mr. Secretary, I think I need some elaboration by you with respect to an assertion of your prepared statement.

Mr. MURPHY. My staff did not leave me a copy.

Senator SARBANES. I can read it to you. You say, with respect to our policy toward Pakistan, that: "The 1981 multiyear assistance program has been notably successful in achieving its objectives." And you list among those objectives it has been notably successful in achieving, "exercising restraint in the nuclear area through conventional arms transfers and seeking better relations with India."

In view of the testimony we have already heard this morning, I think you ought to address that point. How can you call it a notable success with respect to restraint in the nuclear area after the testimony we heard earlier this morning, and after your own Ambassador in Pakistan has made the speech to which I referred?

Mr. MURPHY. Mr. Chairman, we believe that our program, the 6-year program launched in 1981, has constituted a restraint on Pakistan's nuclear program. Senator Glenn himself used the image of coming up to the nuclear threshold in terms of producing a nuclear device.

The President certified last October, as required by law, that on the basis of all information Pakistan did not possess a nuclear device and that our program of assistance has served to restrain it or to divert it from going for nuclear weapons.

And we stand by that statement. Ambassador Hinton's speech that you referred to was a speech which made the point that Pakistan's continuation of current activities could make it impossible for the President to certify nonpossession, and he urged Pakistan to sign the NPT even if India did not do so. I think those were the two basic points in his speech.

We have had a very extended or intensive dialog with the Pakistani leadership, going back over several years, on their nuclear program. Now, it has never been the sole issue in our relationship. There are other major concerns in that relationship: the Pakistani role in regional peace, Pakistan's narcotics programs, Pakistan's relations to the Afghanistan problem, and the Soviet aggression there.

We feel that that dialog, and the assistance program that we have provided, have provided a value to Pakistan which has encouraged restraint in research and weapons development, and produced a variety of Pakistani proposals, which Senator Humphrey referred to, aimed at coping with the regional aspects of the problem.

On the India-Pakistan relationship, I think it is very fair to say that that relationship is maturing, that time has been bought, in effect, in part by our assistance program. We do not arrogate to ourselves the whole credit for that. But it is a maturing relationship that in December 1985 led President Zia and Prime Minister Gandhi to an informal agreement not to attack each other's nuclear facilities, that led to a quick deescalation of the tensions arising from major military exercises in India earlier this year.

We have been active regionally, not just in Pakistan, on nuclear questions. We have encouraged India to respond. We have said, "If you do not like those proposals, perhaps you have others of your own to come back to in response."

But I think with regard to the effort that we made—I came new to South Asia 3 years ago. I know that many in the Senate, and preeminently Senator Moynihan, have followed South Asian affairs for a far longer period in greater detail than I have.

But I would like to just cite a couple of dates which show the extent and the depth of the problem we are dealing with. And the problem is in no small part the question of American reliability vis-a-vis Pakistan's security, a reliability shaken at the time of 1965, during that war period, reliability questioned during the period 1971-81 when we had a cutoff of security assistance.

The Congress joined the administration in 1981 in an effort, through a 6-year program, to begin to overcome that, the doubts about our reliability, and we think that significant progress has been made in overcoming those doubts.

But even as Assistant Secretaries come and go, the memories linger on in countries such as Pakistan.

Senator SARBANES. Senator Kassebaum.

Senator KASSEBAUM. Thank you, Mr. Chairman.

I would like to ask Secretary Murphy about our Egypt and Israel funding, which is less this year than in the past, when it did take up about half of the whole foreign aid budget. What concerns me, really, is that we have had in the Middle East a massive infusion of capital, and yet I would like to read a quote that was in the New York Times in August, an Egyptian official who was concerned that little had been done to wean Egypt from aid. And I suppose we could say that of many countries as well. He said:

We are becoming more dependent when we are supposed to become more self-reliant.

I wonder if with both Egypt and Israel you feel that we are focusing enough on ways to encourage economic reforms, particularly in Egypt, and what are our accounting procedures for our aid, with both Egypt and Israel?

Mr. Murphy. Senator, if I could take the first part of your question and ask my colleagues from AID to take on the second. I think that our very intensive—and let me focus first on Egypt, but not neglect the question as it applies to Israel. Our dialog with the Egyptian Government has focused that government's attention extremely closely on the need for structural reforms in the Egyptian economy, and they have taken some important steps.

First—not the first in history, but certainly the most meaningful economic reform program that we have ever been presented by the government in Cairo was that of last summer, which I believe I briefed the Senate and the House on at that time.

But it was not just a plan. They have taken actual steps. They have simplified the exchange rate system, they have overhauled the customs system, they have increased—and this is a very important area in the Egyptian economy—they have increased agricultural prices, beginning to get out from under the heavy burden of subsidies that that government assumed 20 and 30 years ago. Painful, but they have been working on it. They have adopted new revenue measures and reduced expenditures.

Now, all right, is it just the United States talking to them? No. There is a very persuasive voice also engaged in this dialog, that of the World Bank together with the IMF. Their teams have been in Cairo steadily over the past several months. They are back there now.

And Egypt recognizes the need for speeding up development of a comprehensive approach, and the talks are going ahead with the IMF and the World Bank. Is more needed? Certainly. Exchange rate reform, increasing the domestic interest rate, working on more market-related prices for energy, for electricity, there are a variety of areas.

As in most countries, the dialog reaches a certain point and the answer is: Yes, I see the validity of your points, and I will do them as quickly as I can do them politically, as they can be sustained, because we do not want to see major social upheavals and disturbances by pushing the pace too fast.

But I think you can see in the Egyptian performance to date a clear determination to move ahead and a realization that it is a long and difficult road. And we are interested in supporting Egypt along that road.

On the Israeli side, they brought inflation down from the triple-digit rates of only 2 years ago to 20 percent last year, still heavy but nothing in comparison to what the country was suffering in 1985. They have taken steps to improve the investment climate, to reduce personal and corporate income tax rates. They have had the 10-percent devaluation. They have given private borrowers freer access to the capital market, which is now government-dominated.

Is there more to be done here? Again, yes. To renew growth, to prevent higher inflation, they have to further cut government spending, they have to make more room for private investment, reduce overregulation of the Israeli economy. And they have a new economic program approved by the Israeli cabinet 2 months back.

We think there are good prospects there. But again, there too it will take a lot of discipline and hard work.

Your final question I guess is one I can answer: Are we weaning them, either of them, from foreign aid?

Senator KASSEBAUM. I asked about accounting procedures for the aid. Let me change that for just a moment to a different approach. Do you think it would allow us greater flexibility to deal with various concerns as we look at our budget in particular if we could move to a 2-year authorizing and appropriating method, which I personally happen to believe would be very useful?

If it could be earmarked, would it be advantageous for us to move to a regional budget practice as we are going to be doing elsewhere?

Mr. MURPHY. Earmarking that last year consumed 90 percent of the Bureau's funding at the end of the appropriations process. Egypt, Israel, and Pakistan together were 90 percent of our request, and I think some 44 percent of the administration's request.

But there are a lot of programs in other countries, in fact, the programs in even the earmarked countries, that we are not able to cope with at the present.

We have not asked for a 2-year appropriation. I think that is under study in the administration. Perhaps my colleagues can speak to that. As to ending the earmarks, I guess I would want to hear more detail about in what way would they be ended, in what proportion would the amounts that we have decided after great and very careful study to request for Israel, to request for Egypt, for Pakistan, or the many other countries that have been earmarked be distributed?

In principle, we do not like earmarks. But if you lift them, what then happens? What is the state of play? Who gets more or less of a cut if the moneys begin to shift about?

I could not give a categoric answer.

Senator KASSEBAUM. Oh, no, and I do not think so. I mean, that would come with your determination as you prepare your budget and as we would analyze it up here. It is just that with the earmarks, and Egypt and Israel as the most prominent—and of course, there are a number of base rights countries that have that as well—when cuts are made across the board, of course, there is protection for the earmarks and then significant reduction of course come to areas that are unprotected.

If we ended the earmarks, I would hope there would be a better justification for where cuts should fall. That I think would be one advantage to the ending of earmarks.

Thank you.

Senator SARBANES. Senator Moynihan.

Senator MOYNIHAN. Mr. Secretary, I would like to thank you and your colleagues for a first-rate survey of a big region, and offer the comment that I think you are just possibly right that the Indian-Pakistan relationship is maturing.

It has been 15 years now since there has been any military encounter, and it might take a century or so, but it may have started.

And if I were to ask Mr. Pelletreau where the Pakistani F–16's are stationed, I think you would find them more in the southern region than the northern.

Mr. PELLETREAU. They are divided between two air bases, sir, Saragova and Kharma. Kharma is nearer the northern border and Saragova is their main.

Senator MOYNIHAN. Their main base is still looking toward another one of those 5-day wars. But it may not happen.

Can I ask two things, just because it matters so much to us, it matters so much to our society and also to our ability to make the case. The heroin movement out of Pakistan. I guess I was last there about 5 years ago, and I was up in the Swat Valley and so forth and I spoke with Mr. Zia and said to him: "You know, if you do not stop this, you will end up with something so powerful you cannot control it, because the money that gets into this traffic overwhelms governments, overwhelms police, and even could overwhelm an army."

We begin to get the impression that that has happened, or tell me otherwise, or tell me what you think?

Mr. MURPHY. A mixed picture, Senator. The military government brought production down from figures of over 500 tons in 1978 to 50 tons in 1985. Now, there was immediately after that a tripling of production. It went up to 150, 150 tons in 1986.

That coincided with the electoral period, with the switch from the military martial law regime through the elections and the installation of the new parliament. The government is launching a massive effort to bring that production down this year. They are into a new program of aerial eradication of the poppies, a major education campaign.

Why? In no small part because, much more recently than your own time in India, Senator—they did not have an indigenous heroin problem. Today they have a number of addicts in absolute terms greater than that of the United States. It is a very serious social problem in Pakistan.

And the government is working. It is a tremendously complicated affair, with the production coming from Afghanistan——

Senator MOYNIHAN. Do you think they have been overcome by this? That is, the amounts of money involved become so large that their own systems cannot resist them?

Mr. MURPHY. Well, there have been two programs and this is what brought the production down, what is it, to 10 percent in 1985 of what it had been in 1978. So those programs were working: crop substitutions, payments, perhaps other specifics that my colleagues could speak to. But it was working.

It is not hopeless, but it is very tough. And the production coming out of Afghanistan, among other things, certainly complicates it.

Senator MOYNIHAN. Could I ask, perhaps Mr. Norris or somebody could give us a note on these numbers, because they are important.

May I say, it is not a question of crop substitution, as it was in Turkey, for the poppy seeds. This crop began because the market grew up for them. This was not some ancestral cultivation that had been going on. Some small beds, but not much.

Perhaps we can get a report from you on this?

Mr. **Norris**. Absolutely. And in fact, I think the annual narcotics report came from the State Department about 1 month ago. But let us see if there is anything beyond that, Senator.

Senator **Moynihan**. Would you do it.

[The information referred to follows:]

OPIUM PRODUCTION IN PAKISTAN

Poppy is grown in isolated areas of Pakistan's northwest frontier province by farmers for whom no other crop offers equivalent returns on meager land holdings. Production in any given year is affected by climatic conditions, by the farm gate price of opium and by the perception of growers in the settled areas as to whether and how the poppy ban will be enforced.

Poppy cultivation in Pakistan fell dramatically from 1979, when a record crop estimated at 800 metric tons was produced, and Pakistan was a primary source of opium for the heroin entering Western markets. After a national ban on poppy cultivation was promulgated in 1979, production declined to an estimated 45 metric tons by 1984, with the next year almost repeating at 48 metric tons.

Opium output took a sharp turn upward in 1986, with an estimated harvest of 130 metric tons. This setback was partially a result of belated poppy eradication efforts and the inability of the government to respond swiftly and forcefully to the stiff opposition from growers, distributors, and some politicians domestic demand from a burgeoning addict population, better weather, and an end to the surplus supply from the early 1980's.

Based on actions taken this year, we anticipate a substantial decline in the 1987 opium crop compared to last year's level. We have seen evidence this year that the Pakistan Government is determined to reduce opium production. Authorities at the federal and provincial levels have engaged in a vigorous public education campaign to discourage planting; a narcotics-abuse awareness campaign was begun last summer; hundreds of troops of the frontier constabulary were utilized to destroy poppies growing in the field; and, perhaps most significant, the Prime Minister decided to use aerial eradication for the first time. We are pleased with the vigorous actions this year and believe the final figures will show a significant downturn.

Senator **Moynihan**. One other thing, just to ask. In the main, the experience with food growing in South Asia is a successful one. You know, the Indians now export wheat to the Soviet Union. Bangladesh, is there any report from Dhaka, Mr. Norris?

Mr. **Norris**. Yes, I can comment briefly, yes. I can say two things. One, 10, 12 years ago I think there was a general impression of Bangladesh that it was a country that was not just at the margin, but below the margin in terms of the ability of its society to continue to exist. Massive famine, disruption. Obviously, that in part flowed from the war that had occurred, but it in part flowed from a variety of things just inherent in the low level of development.

In the past 12 years, their production of wheat has gone from nothing to between 1 and 2 million tons. The production of rice has increased very substantially.

Senator **Moynihan**. They are growing wheat in the Bengal marshes?

Mr. **Norris**. Well, not in the marshes. But they have found that during part of the crop season it is a good rotation crop, and has taken off very impressively. We like to take some credit for that as contributing to it.

I think that a more telling example is that in 1982-83—1983-84, I think it was, actually, there was a series of regional floods and bad weather, a whole host of things that in many respects were far more serious than the early seventies period when they had a famine. There was no famine in Bangladesh. There was no famine both because production elsewhere in the country was much higher, but also because the government had in place the systems and the policies that permitted things to be dealt with.

And I think Bangladesh in some respects epitomizes the progress that has been made in agriculture in the region. Where 10 years ago, certainly 20 years ago, what people talked about was when the next famine was going to come, no one is concerned with famine in the area now.

There are many, many millions of very poor people, but there is not a problem of famine.

Senator MOYNIHAN. Well, I would hope somewhere around the corridors of AID that somebody takes a little satisfaction from that, because you had a lot to do with it.

Mr. NORRIS. We do take some satisfaction.

Senator MOYNIHAN. Thank you.

Thank you, Mr. Chairman.

Senator SARBANES. Thank you, Senator Moynihan.

Senator Pell.

The CHAIRMAN. No questions.

Senator SARBANES. Mr. Pelletreau, Secretary Murphy's statement makes reference to being mindful of the need to avoid upsetting the military balance on the subcontinent. Your presentation, of course, dealt almost entirely with the early warning aircraft, and you addressed this point simply by making an assertion, as I recall, that it would not affect the military balance.

Others have stated that it would upset the balance, because we are providing a sophisticated technology which is ostensibly directed to one purpose, but could easily be shifted to another purpose. How do you address that concern?

Mr. PELLETREAU. Mr. Chairman, we are looking at the possibility of providing a very small number of early warning platforms, either three E-3A's or four E-2C's. We do not believe that this would significantly disturb the balance that in every major area of equipment is impressively in India's advantage, and this certainly includes in the field of aircraft as well.

Without going into the specific figures, India has roughly a 4-to-1 advantage in attack bomber-type aircraft, and a 3-to-2 advantage in interceptor aircraft. And beyond that, there are extensive ground-based air defense systems.

So we do not see that providing this small number of early warning aircraft, that really is barely sufficient to provide a deterrent capability on the mountainous western part, western border, will have significant application opposite India.

Senator SARBANES. Your purpose in providing it is to have it applied to the northwestern border?

Mr. PELLETREAU. That is correct, yes.

Senator SARBANES. Have you considered some way to provide the capacity without letting go of the technology altogether, so we would have some control over its being shifted to other purposes?

Mr. PELLETREAU. The Pakistanis first asked us whether we would be able to consider a loan of the aircraft in some way. We looked at our legislation. We looked at the limited numbers of such aircraft that we have available. We looked at the precedent it would cause, it would create. And we looked at the requirements on the ground to support such a capability. And we concluded that it was not really feasible. So we have turned toward the idea of a sale.

Senator **Sarbanes**. What was the rationale on the sale of Harpoon antiship missiles with respect to maintaining the military balance between Pakistan and India?

Mr. **Pelletreau**. Well, perhaps in the area of naval capability as much as any other, and more than any other, India enjoys an overwhelming advantage. That begins with India's aircraft carriers, continues to their impressive advantage, additional naval capability in terms of submarines, in terms of medium-sized vessels of all sorts.

So that a certain upgrading of the Pakistan naval capability we believe could take place without having any significant effect on India's overall superiority in that area.

Second, as we looked into—as we looked at the whole question of modernization of Pakistan's armed forces, every area of Pakistan's armed forces requires extensive modification. And if you are looking at developing a relationship of confidence and cooperation and influence with the armed forces, to a certain extent the things you provide have to be balanced between the forces and provide a useful, although limited, amount of modernization to each force.

We felt that providing a limited number of Harpoon missiles would not have a significant effect on that balance.

Senator **Sarbanes**. Well, was the purpose of providing them to, at least to some degree, alter the balance?

Mr. **Pelletreau**. No, it was not. The purpose was to provide some increment of modernization and enhancement to the navy, at the same time as we were upgrading significantly the air force, and provide some——

Senator **Sarbanes**. Well, for what other purpose would we be doing it if we were not seeking to in some way alter the balance between Pakistan and India? Of course, you could assert that the balance needed altering. But I am hard put to see what other purpose the provision of these weapons would have.

Mr. **Pelletreau**. We also felt—let me take from another angle—that Pakistan does have important ports. It does have a fairly extensive sea coast. It has a national responsibility to provide some defensive capability on its sea side to protect these vital ports and facilities, and providing again a small number of Harpoon weapons we felt was justifiable defensive requirement for Pakistan's navy.

Senator **Sarbanes**. Secretary Murphy, I take it what Ambassador Hinton is saying is that he does not believe the President could continue to make the certification for a Symington waiver unless Pakistan were to bring its nuclear program, or at least the weapons aspect of it, to a halt. Is that correct?

Mr. **Murphy**. No, Mr. Chairman, that would not be a correct reading of Ambassador Hinton's speech. He was not commenting on any new development which would affect the President's ability to certify as required by law.

He pointed to some time in the future. He was not specific. He was—I think in the most basic sense he was, yes, going public with our concerns about the nuclear program. But he was not pointing to any new development, and I think the speech itself was taken in Pakistan as a contribution to the public debate.

But he was not prejudging the present——

Senator SARBANES. Well, how far away is Pakistan from having in hand, but not assembled, all the needed components for a nuclear explosive device?

Mr. MURPHY. Mr. Chairman, you are getting into a classified area that we would have to handle in another forum.

Senator SARBANES. All right.

Did you hear Senator Glenn's proposal this morning? Were you in the audience when Senator Glenn spoke?

Mr. MURPHY. Yes, sir, I heard it. The easiest comment is that we have not had a chance to study it in detail. But we will. We will study it.

It is a question of taking into account the political climate, whether we are levying and perceived as levying an ultimatum to the Government of Pakistan. What can be worked out quietly in regard to their nuclear program, we have done our utmost to work out quietly. And we think that the success that we have had is a measure of the quietness with which we have approached it.

The program is popular in Pakistan by all accounts, with the Pakistani public, and there are certain inhibitions on the government about accepting the perception that it is being publicly leaned on by the United States Government.

But let me stay with the fact that we have not had an opportunity to examine his proposal.

Senator SARBANES. Do you think that not providing American assistance represents publicly leaning on countries?

Mr. MURPHY. I spoke earlier, Mr. Chairman, about the United States-Pakistani relationship, which has been a——

Senator SARBANES. No, I am asking in general. Let us take it out of that specific context and just look at the general question.

Mr. MURPHY. Would I think that withholding assistance represents——

Senator SARBANES. Not providing it.

Mr. MURPHY [continuing]. Represented a form of pressure?

Senator SARBANES. Leaning.

Mr. MURPHY. Leaning.

Senator SARBANES. Yes.

Mr. MURPHY. If one had been in a security or economic assistance program, yes. I mean, unless the country had graduated.

Senator SARBANES. Do we begin with the premise that countries are somehow entitled to this assistance?

Mr. MURPHY. They are entitled to it if it is in our interests to grant it. I do not mean to go around in circles, but is anyone entitled to the American taxpayers' dollar? Well, it depends. Do we have humanitarian considerations? Do we have security interests? The answer is yes in both areas.

Senator SARBANES. And then, once we have once done it, we cannot withdraw it because to do so would be a form of unwarranted pressure?

Mr. MURPHY. It depends on the circumstances under which we withdraw it. We are proud of the way some of the countries we have been assisting around the world have been weaned from foreign assistance, have made it on their own increasingly.

Senator **Sarbanes**. When you say foreign assistance, you mean development assistance?

Mr. **Murphy**. Development assistance, yes.

Senator **Sarbanes**. What is an instance in which we have been able to withdraw military or security assistance?

Mr. **Murphy**. Well, it has been heavily reduced in the nonearmarked countries this year. I mean, it has not been slashed, but if you look at the figures for Jordan, for Morocco, in my own region, you will see a substantial percentile reduction in military assistance.

That is for budget reasons. That has not been pushed as in any sense a political lean on those countries. Quite the contrary. But we have reduced.

I am sorry. Does that answer your question, sir?

Senator **Sarbanes**. Well, only partly. I mean, it is true there have been some cuts to countries in which the amounts being provided were not very great. But generally speaking, my perception is that there is a constantly rising floor.

In other words, the amounts always go up. And to reduce or begin to withdraw the amounts indicates, as you put it, leaning or applying undue pressure.

Mr. **Murphy**. It is not so many years ago we had FMS programs in NATO, Senator. Those are gone.

Senator **Sarbanes**. And you see similar developments taking place elsewhere in the world?

Mr. **Murphy**. I would like to think so. Very few regions, of course, are comparable with the NATO situation.

Senator **Sarbanes**. In your statement——

Mr. **Murphy**. I am sorry. There was one specific, yes. Korea in 1987 was terminated from the FMS.

Senator **Sarbanes**. Well, that is a good example. That is a good response.

In your statement you made reference, in talking about the objectives of the economic and military aid, to managing a smooth transition to democratic government. Earlier when I addressed this point, you responded by citing a number of different areas but did not mention that issue, and I wonder if you could address that for a moment.

Mr. **Murphy**. The transition with the end of martial law in 1985, the holding of the elections in that year—they were held on a nonparty basis, but they were generally accounted free in other terms, free for the individuals to present themselves as candidates.

There has been a lightening of controls on the media, on expression, and that is the general complex of issues I was referring to in terms of democratization. The government is—has stated it is looking ahead to 1990, I believe it is, as the last year, the latest period by which the next elections would be held.

There is a program of civilianization, democratization, underway in Pakistan.

Senator **Sarbanes**. In the certification which the President sent to the Congress in October of last year, he said: "I hereby certify that Pakistan does not possess a nuclear explosive device." What is the administration's definition of "possessing a nuclear explosive device"?

Mr. **Murphy**. Well, nuclear explosive device includes both a peaceful nuclear explosion as well as for a weapon, for a weapons system, nuclear weapon. We have—the President has been able to make that certification, most recently in October, on the basis of all sources of information that Pakistan did not possess the device.

And we judge each year's certification on the basis of the facts that we have. So whether it is for peaceful purposes, for weapons purposes, on the basis of all facts we determined they did not have a device when the President made that certification.

Senator **Sarbanes**. Thank you, Mr. Secretary. I thank your colleagues.

Mr. **Murphy**. Thank you.

Senator **Sarbanes**. If the next panel would come forward, we will proceed to the concluding panel of the hearing.

Gentlemen, we are prepared to proceed with our final panel. Dr. Motwani, why do you not lead off, and then we will follow with Mr. Zaidi.

If you could identify yourself and tell us a bit about the organization you represent at the outset of your statement, that would be helpful.

Dr. **Motwani**. Thank you very much, Mr. Chairman.

Senator **Sarbanes**. And if you could pull the microphone close to you, I think that would also be helpful.

STATEMENT OF DR. JAGAT MOTWANI, EXECUTIVE DIRECTOR, NATIONAL FEDERATION OF ASIAN INDIAN ORGANIZATIONS IN AMERICA

Dr. **Motwani**. Thank you very much, Mr. Chairman, for this opportunity and good afternoon, members of the committee.

I am Dr. Jagat Motwani, New York. I am the executive director of the National Federation of Asian Indian Organizations in America. I also represent two other sister national organizations; namely the Indian American Forum for Political Education and the Association of Indians in America, representing over 650,000 people of Indian origin in the United States.

I am here to voice our strong opposition to the supply of highly sophisticated military equipment as a part of the proposed $4 billion aid package to Pakistan. The United States Department of Defense contends that Pakistan needs highly sophisticated airborne early warning surveillance systems to monitor the Soviet-backed military movements near the Afghan border to blunt any border attacks.

However, there is sufficient evidence to show that the hilly border between Pakistan and Afghanistan would severely limit the effectiveness of such sophisticated systems. The question then arises, what does Pakistan really intend to do with the AWACS?

According to military experts, AWACS would not patrol near the Afghan border; rather, they would fly over central Pakistan, where they could observe Indian, Afghan, and some Soviet air space and monitor ground-based radar and electronic signals across the Indian border.

Moreover, this issue needs to be reviewed in light of the recent development of Soviet express intentions of withdrawal from Afghanistan.

The supply of highly sophisticated military equipment to Pakistan will represent a new escalation in military technology and is likely to upset the military balance and cause added tension in that region. The intended transfer of highly sophisticated United States military technology to Pakistan, combined with its growing capability to produce nuclear weapons, pose a potential danger to the Indian subcontinent.

We Indian Americans are seriously concerned about its various consequences. As for press reports, Dr. Abdul Qadeer Khan, the head of Pakistan's nuclear research program, has admitted that Pakistan has acquired nuclear weapons capability.

Mr. Dean Hinton, the U.S. Ambassador to Pakistan, in a speech at the Pakistan Institute of Strategic Studies remarked: "I must add in all candor that there are elements in Pakistan's nuclear research program which we see as inconsistent with a purely peaceful program."

I should add that a bomb in Pakistani hands is a source of concern, not only to India but to other countries around the world, including Israel, since it has been developed as an Islamic bomb.

The events of the past 39 years attest to the fact that Pakistan has used United States-supplied military equipment against no other country except India, although the aid was given for use as defense against Communist invasion. Once Pakistan has these sophisticated military weapons, it will not hesitate to use them again against India.

Mr. Chairman, I should also point out that we are not against any genuine humanitarian and economic aid to Pakistan and Afghan refugees.

Mr. Chairman, in conclusion, this country has continued to profess its commitment to peace around the world. That commitment is not upheld by pouring massive amounts of sophisticated weapons into Pakistan. Such an arms race will economically bankrupt both weapons and Pakistan.

From our viewpoint as American citizens and taxpayers, this proposed aid package to Pakistan would be contrary to the long-term economic and geopolitical interests of this country.

We thank you for giving us this opportunity to present our views. Thank you.

[The prepared statement of Dr. Motwani may be found in the appendix.]

Senator SARBANES. Thank you, Dr. Motwani.

Mr. Zaidi.

STATEMENT OF NAYYAR ZAIDI, WASHINGTON CORRESPONDENT, DAILY JANG

Mr. ZAIDI. Mr. Chairman, I am a U.S. citizen. I am the Washington correspondent—my name is Nayyar Zaidi, if anybody missed. I am the Washington correspondent of Daily Jang, which is Pakistan's largest newspaper.

At age 43, I have spent more than half of my life hustling for United States-Pakistan ties. I started with a career with the USIS in Pakistan in a very hostile atmosphere, and in the United States I contribute extensively to the print and broadcast media on South Asian issues.

I am a member of the Washington Roundtable for the Asian Pacific Press. I am a former consultant and political risk analyst to the Orkand Corp. And I am an advocate of strong United States-Pakistan ties, and in that capacity I have been invited to testify.

May I proceed?

Senator SARBANES. Surely.

Mr. ZAIDI. Mr. Chairman, distinguished Senators; I am grateful for this opportunity to present my views on the desirability of continuing economic assistance and military sales to Pakistan, which has been a trusted ally for a long time.

The alleged nuclear weapons program by Pakistan has prompted some well-meaning supporters of the nonproliferation objectives of this country to suggest that this aid should be terminated or suspended until a variety of issues can be settled to their satisfaction.

On the other hand, the administration and a broad spectrum of Americans are supporting the continuation of U.S. policy that was initiated with the bipartisan support in the Congress. Since so many honorable men are involved on both sides of this issue, it is fair to examine the merits of each position in a rational way. The stakes are so high that we cannot allow emotional slogans to sway us in the wrong direction.

A good policy is one that promises and delivers tangible and verifiable results in a reasonable period of time. The presumed objective of the proposed suspension or termination of aid policy is to advance the objectives of nonproliferation and to tell the world that the United States means business when it says "Thou shall not proliferate nuclear weapons."

The current moral outrage on the nonproliferation aspect of United States-Pakistan aid relationship is based on mostly second- and third-hand reports, and a most recent interview by an Indian journalist who quotes Dr. Abdul Qadeer Khan as saying that Pakistan has an atomic device which it will use against India if push came to shove.

The interview is a forgery, and this issue has been addressed along with supporting evidence in my detailed remarks, and I will be glad to answer any questions on that issue here. I have the evidence.

The proposed policy of aid suspension or termination will have the following immediate consequences. It will create uncertainty among Afghan mujahedin and sink their morale to a point from which it may never come back to present level. An upperhand for the Soviets will lead to greater atrocities and loss of human lives.

It will once and for all end American credibility in the eyes of the Pakistani people, and no Pakistani government will be able to restore it in the foreseeable future.

Three, since a weakened Pakistan and Afghan resistance will be forced to accept a Russian-imposed political settlement, most of the Afghan refugees will refuse to return. Pakistan will have 3 million armed men on their soil, and if they could fight the Russians they could also fight an ill-equipped Pakistan army.

Pakistan borders at least three major countries—India, Iran, and Afghanistan—which already have their own civil strife and war problems. Pakistan could become a Lebanon, and do we really need another one?

Aid suspension will be seen as another proof of unreliability of foreign assistance, thus leading to grassroots pressures in Pakistan for self-reliance at any cost. This will mean greater defense expenditure and of course developing atomic weapons.

A nationally known opposition leader, retired Air Marshal Khan, has held a huge rally in Kahuta, the site of the uranium enrichment plant, to declare that Pakistan should not accept United States dictation on the nuclear issue.

Will the aid suspension send a message to future aspirants of nuclear capability? The answer is no. An unfair and selectively applied policy does not have credibility.

Our policy toward Israel and India on the nonproliferation issue tells the world that we do and we will make exceptions. America and Israel enjoy a very special relationship. The duplicity is unjustified, but at least it is understandable.

However, our willingness to let India get away with murder is puzzling. Here are some examples. The New York Times called India the biggest recipient of American aid between 1950 and 1971. We gave $10 billion. But we could not get two statements out of India during that period supporting the human rights of Hungarian and Czechoslovakian people—$5 billion apiece was not a very unreasonable amount.

India exploded a nuclear device in 1974, and the same year our Ambassador to India and now our distinguished Senator from New York, Daniel Patrick Moynihan, managed to get aid restored to India, with a down payment of $75 million.

India's arrogance is also reflected in the personal conduct of its leaders. Here is an interesting incident. A childhood friend of Prime Minister Rajiv Ghandi was sentenced to 35 years in prison by a Miami court in May 1982. He was found guilty of fraud, setting an incendiary bomb, attempting to place an explosive device on a ship, and making an explosive device. What a friend.

On the day of Ghandi's arrival here for a state visit in 1985, President Reagan granted an executive clemency to this felon, who was not eligible for parole until 1991. The story was neglected by an otherwise very alert U.S. media. When Ghandi was asked for his reaction, he could have praised the gesture by Reagan or he could have used the diplomatic no comment crutch.

But he broke all diplomatic norms observed by visiting heads of governments and slapped us in the face by attacking the integrity of our judicial system. He said: "We do believe that he has been wrongly imprisoned."

That year we gave $191 million to India.

The same policymakers who have enormous patience with India are losing patience with Pakistan. The rules of the game with Pakistan were set in 1981. We had the following expectations: Pakistan will help Afghan resistance so that they can prevent Soviet Union from consolidating its hold on Afghanistan. This objective has been fulfilled beyond expectations.

Pakistan will take care of Afghan refugees. The country has spent $1 billion of its own money on refugee welfare. This objective was met in a very satisfactory manner.

No. 3, Pakistan was told to improve human rights conditions, and all objective accounts point to a tremendous improvement, of which I am a personal witness.

No. 4, Pakistan was asked to lift martial law and begin a disciplined democratic process. It has been done.

Pakistan was told not to explode a nuclear device, not to manufacture one, and not to possess one. It has met all three conditions.

Accomplishing all our objectives in a tangible and verifiable way in a limited timeframe of 6 years is a rare accomplishment in the realm of foreign policy. Since the Marshall plan, this country has not pursued a policy that has delivered on all its promises.

Some people still want to place $200 million a year in taxpayers' money in what I call the Indian slot machine, where we already lost $15 billion without hearing the machine clink even once. The same people are getting very impatient with the blue-chip account which has honored a mutually agreed payoff arrangement. It is strange indeed.

I fully support the administration's decision to continue the successful and effective policy of economic and military assistance to Pakistan. To those who want to review this policy, I offer the popular American advice: Don't fix it if it ain't broke.

Thank you very much, sir.

[The prepared statement of Mr. Zaidi may be found in the appendix.]

Senator SARBANES. Mr. Zaidi, did I understand you to say that you regard the interview in The Observer with Dr. Khan, Abdul Qadeer Khan, as a forgery?

Mr. ZAIDI. Yes, sir.

Senator SARBANES. If it were not a forgery, but, in fact, authentic, would your views on policy change?

Mr. ZAIDI. You are implying if I believed that Dr. Qadeer Khan had made a declaration that Pakistan possesses a bomb, would my views change?

Senator SARBANES. Well, I am simply taking you up on the interview itself. You have asserted it is a forgery, and my question to you is, if it were not a forgery, if it were authentic, would your views on policy change?

Mr. ZAIDI. I think that is a hypothetical question.

Senator SARBANES. Well, on the premise from which you are proceeding it is a hypothetical question. But of course others strongly assert that the interview is authentic. And the only question I am asking you is, if it were in fact authentic, would that alter your position on policy?

Mr. ZAIDI. Senator, I think that the proper way is to first ask me if I have any proof that it is a forgery, rather than to skip to the next point.

Senator SARBANES. Well, you said you had it in your statement. I am prepared to look.

What I want to find out now is your view on policy. Assuming the interview is authentic, would that alter your view on policy?

Mr. ZAIDI. I still consider it a hypothetical question, but let me answer it in a hypothetical way. I will take a number of factors. My personal belief is that the solution to the nuclear nonproliferation is to pursue an evenhanded and decisive policy in the region, not pick one country.

And I think just stopping Pakistan and letting India or some other countries have the nuclear devices is not going to serve any useful purpose.

Senator SARBANES. Well now, you earlier referred to an alleged nuclear weapons program. Is it your position that there is not such a program in Pakistan?

Mr. ZAIDI. I believe, sir, that the nonproliferation is more a matter of intention, rather than capability. Japan has the capability, West Germany has the capability. Many other countries—Israel. But we accept their intention that they do not have nuclear weapons.

So why do we not accept Pakistan's declaration that it does not intend at this point to produce nuclear weapons?

Senator SARBANES. If Pakistan had a nuclear weapon, do you think American policy should change?

Mr. ZAIDI. It will depend when that confirmation comes, what the global situation is at that time. I think at the international level I do not advocate black and white issues, yes or no.

Senator SARBANES. In other words, you do not agree with the nuclear nonproliferation policy, at least as applied to Pakistan?

Mr. ZAIDI. I do not agree to the nuclear nonproliferation policy as pursued at this time by this country, which is on a very selective basis and that is why it has failed.

Senator SARBANES. So you in effect disagree not only with the proposals advanced by Senator Glenn, but also with the administration's position?

Mr. ZAIDI. No, the administration's position I think is closer to mine, that the problem can only be solved on a regional basis, and this is what I am saying.

Senator SARBANES. Ambassador Hinton has said that: "For the future, I would note that it is open to question whether the President could so certify were he to conclude that Pakistan had in hand, but not assembled, all the needed components for a nuclear explosive device."

If Pakistan had all those needed components, do you think the United States should stop its assistance to Pakistan?

Mr. ZAIDI. If the United States could verify through independent and reliable means, then I would say that that option could be considered. I would not say black and white.

Senator SARBANES. Well, what is your position on that option?

Mr. ZAIDI. It will have to weigh other options, like we do in the case of Israel. We have done it in the case of India. India obviously has——

Senator SARBANES. Well, I am trying to find out, obviously, what your bottom line position is. Would it be fair to say that your bottom line position is that you disagree entirely with this policy, and that even if Pakistan clearly had a bomb, the aid should continue?

Mr. Zaidi. The only verifiable thing I will accept of having a bomb is an explosion. The other things I do not believe, like this forged interview. There are other clippings I have seen, which are totally press speculation.

So I will not accept if tomorrow's Washington Post or New York Times starts writing about Pakistan has the bomb. I have spent about 25 years——

Senator Sarbanes. In other words, it is your position that you cannot say they have a bomb until they explode it. Is that correct?

Mr. Zaidi. Yes, sir.

Senator Sarbanes. All right. Now, if Pakistan were to explode a bomb, what is your position on whether America should provide assistance to Pakistan?

Mr. Zaidi. As I said earlier, at that time we will have to sit down and seriously look at what the other options and other issues are. If I may add, Senator——

Senator Sarbanes. All right, I think that is clear enough. I now understand what your bottom line position is.

Dr. Motwani, you express concern about the sales of sophisticated United States military equipment to Pakistan. I take it from your statement that you support economic and development assistance to Pakistan, is that correct?

Dr. Motwani. Yes.

Senator Sarbanes. OK. Now, on the military and security side, first of all, do you and the organizations for which you speak—and I want to review those because I want to make sure we have it on the record before we conclude—oppose all American military assistance to Pakistan?

Dr. Motwani. No. I would say again, as I said earlier, that we are not opposed to economic aid.

Senator Sarbanes. No, no.

Dr. Motwani. At the same time, what the development needs of Pakistan are in regard to the Afghan situation, we would really say that they should be given. But we believe that sophisticated arms are not really needed, or technology is not needed there.

Senator Sarbanes. Do you have particular arms that are of greatest concern when you make this point?

Dr. Motwani. I think the early warning system I believe is not really necessary in the context of the situation there. And again, as I said earlier, that now Russia is thinking and has expressed a serious concern, intentions to withdraw, I do not think it is necessary to go ahead and really just inflame an arms race in the region, and that will affect both countries economically and politically there, and it will increase.

Senator Sarbanes. Are you asserting that this technology has no use on the northwest frontier, or do you concede that it may have a use there, and base your concern on the possibility that it will be diverted and used vis-a-vis India, rather than in any other direction?

Dr. Motwani. Yes, sir, I think what you are saying is correct. One thing is that if there is any use it will be very limited, and it is not necessary at this juncture. And it will create an arms race and it will affect—and it will be used, as I see from the history, it will be used against India, and that will create really problems in the region.

Senator SARBANES. If it were possible for the technology to be limited to the northwest frontier—and that is a hypothetical—would that affect your view of that technology and your opposition?

Dr. MOTWANI. As an American citizen, I really see our country's interests, our country, America's interests, and if a limited technology is needed in regard to the Afghan situation, I would really agree to that, that it should go. But it should not really be overdone or overplayed so that it may create tension in the subcontinent.

Mr. Chairman, I would like to take a couple of minutes. My friend—I fully agree with his statement when he says nonproliferation is a matter of intention, and I would like to refer here, India has proved its intention. Now, the first and only explosion India made, that was in 1974 and they claimed that it was for peaceful purposes, and they have really convinced the world that they have not done anything since then.

The other thing which he mentioned, about interview, it was not only between this Indian journalist Abdul Nayar and this Dr. Qadeer Khan, but the editor of the Muslim paper was also present there, and then it appeared in Pakistani papers giving really this testimony that this interview had taken place and the contents were right.

Senator SARBANES. Well, that editor apparently has now lost his job, according to the New York Times of March 22.

Mr. ZAIDI. Sir, are you addressing your question to me?

Senator SARBANES. No, I am just making a comment. In fact, I think I will include for the record this article from the Times of March 22.

[The material referred to appears in the appendix.]

Mr. ZAIDI. May I respond to the observations made by you and my dear fellow witness here?

Senator SARBANES. Well, are you submitting evidence to support your claim that the interview is a forgery?

Mr. ZAIDI. It is partly addressed in my detailed testimony, which I will request be put into the record.

Senator SARBANES. We will include the entire statement in the record.

Mr. ZAIDI. Yes.

Senator SARBANES. But I take it to be your position that even if the interview in fact took place, your views on the policy would not be affected?

Mr. ZAIDI. My position, as I have repeated earlier, is that we should decide what is in the best interests of this country, of which I am a citizen. As far as the interview is concerned, that is valid only because that interview has been made the basis of Senator Glenn's letter to President Reagan and a lot of other things.

And I find it very interesting that no one is asking me to present the evidence here that it is a forgery.

Senator SARBANES. Well, Senator Glenn's letter to the President cites a number of events that support——

Mr. ZAIDI. Including this.

Senator **Sarbanes** [continuing]. His view that there is a problem now with respect to Pakistan possessing a nuclear explosive device. And he includes among those events the story about the interview. But that is by no means the sole basis upon which he makes his assertion to the President.

Mr. **Zaidi**. Yes. But he did bring the Observer here, and I think that has a lot of credibility with him, as I understand.

Senator **Sarbanes**. Is it your view the interview never took place?

Mr. **Zaidi**. It is my view the meeting took place. I know Qadeer Khan personally. I go and see him myself when I get over——

Senator **Sarbanes**. You know who personally?

Mr. **Zaidi**. Dr. Abdul Qadeer Khan.

I do visit him. He is a very congenial person. He did meet with Mushahid Hussein Syed, who is the editor of Muslim, who called on him and wanted to deliver his personal wedding card. And gracious man as Qadeer Khan is, he said come on over.

And there might have been a chat. But——

Senator **Sarbanes**. With whom?

Mr. **Zaidi**. Well, Kuldip Nayar went along with Mushahid Hussein to the residence. And they might have met, had tea.

But an interview is something different. I have been a journalist and I know that when a journalist has a credible interview of this kind, he does not have to use paragraph after paragraph verbatim from old clippings and attribute them in an unethical fashion as quotes out of context. No journalist, no self-respecting journalist, will do it unless the interview was forged.

And if it happened in this country, this journalist will be blacklisted for the rest of his life, like the Pulitzer Prize winner of the Washington Post who came up with a fabricated story.

And Mr. Mushahid Hussein——

Senator **Sarbanes**. No, no. Let me get this very straight, because in that instance the child, so to speak, never existed. I take it you are in effect corroborating that a meeting did take place between these three gentlemen, the two newspaper people and the director of Pakistan's nuclear fuel enrichment program. Is that correct?

Mr. **Zaidi**. Well, the meeting did take place.

Senator **Sarbanes**. Pardon?

Mr. **Zaidi**. The meeting did take place.

Senator **Sarbanes**. All right.

Mr. **Zaidi**. But it was unannounced. It was not an interview. And just like a meeting is taking place between the two of us, but I cannot go and attribute wrong statements to you out of context, saying that Senator Sarbanes granted me an exclusive interview. This is what I am trying to get at.

And may I add one more thing, Senator?

Senator **Sarbanes**. Surely.

Mr. **Zaidi**. Mr. Mushahid Hussein has excellent Soviet contacts. He is the one who was flown to Kabul for an exclusive audience with Babrak Karmal, an interview. And you know, his testimony—and I know him and the family very well.

The Soviets do not fly independent neutral journalists to Kabul for exclusive interviews with Babrak Karmal. He is pro-Soviet. And whatever—he lost his job? Yes, if you publish willfully a forged interview, you should lose your job.

But let me also point out to you what happened to the Indian Express owner on March 15. The poor fellow only published a letter of President Zia sent to Prime Minister Rajiv Gandhi. They went to his home at night, ransacked it until the morning, and have got him now on charges of espionage.

So I mean, the implication that just because he was fired the interview was right or was valid, I do not agree with that.

Senator SARBANES. Well, let me assure everyone in the room that as the Congress considers an issue of this sort we will look for evidence more substantial than an interview in making our judgment. But that issue had been raised even by our Ambassador to Pakistan prior to this interview.

Mr. ZAIDI. May I add that Ambassador Hinton has given another interview since then, which was published in the Washington Times on Thursday. And if we are really going to listen to our Ambassador, we should go all the way. He says that we must continue our assistance to Pakistan, and that is the only way of preventing Pakistan from going nuclear. This was in last Thursday's Washington Times.

Senator SARBANES. Well, that argument was made this morning and, as I indicated, I have a little difficulty in following it because despite our aid over the past 6 years Pakistan has still moved in a nuclear direction.

Do you disagree with the assertion that Pakistan is developing highly enriched uranium at the 90-percent level?

Mr. ZAIDI. May I put your—I guess you have expressed some skepticism by saying you have difficulty understanding.

Senator SARBANES. Well, the difficulty I have is believing that continuing aid will restrain them, when in the past providing aid apparently did not restrain them.

Mr. ZAIDI. This is what I wanted to put in perspective, because this is not something I can answer you yes or no. If you just give me a minute, this is a valid principle of defense planning, that you go with the capability of your neighbors or enemies, rather than their intention. This is the basis on which we plan things, because intentions can change overnight.

After India exploded a nuclear device, Pakistan had to go and work on acquiring a capability, particularly when United States aid was not going at that time. Now, nobody is denying that Pakistan has a uranium enrichment capability. They say they do.

The question we are saying is that, if Pakistan is strong in the conventional sense, feels secure, they will feel no need to produce nuclear weapons. We believe India's declaration that they are not going to produce nuclear weapons. Why can we not accept Pakistan's declaration?

And Mr. Bhutto's statement has been cited too many times. I mean, he was a politician speaking to some crowd in a village, and he used one terminology which is now being—you are a politician, Senator, and you know that a lot of times we use rhetoric, not that we are insincere in the use of it.

But Mr. Bhutto particularly was irresponsible at times with rhetoric. I had the honor of covering him as the foreign minister when he was the foreign minister. And that phrase does not mean anything.

But Pakistan cannot sit there and just wait. And Pakistan also needs nuclear technology and enrichment for energy purposes.

Senator SARBANES. Enrichment at these levels?

Mr. ZAIDI. No, these are the levels that——

Senator SARBANES. These are weapons levels.

Mr. ZAIDI. No, this is the speculation. I have not heard any direct statement attributed to any official saying we have it. Pakistan says 3.5 to 5 percent. This is again—I point out this——

Senator SARBANES. Would your view on the policy change if in fact you knew that they had enriched uranium to the 90-percent level, which is weapons-grade uranium? Would that change your view on the policy?

Mr. ZAIDI. I would first like to file an exclusive story for my paper, before I did anything, if I found out they had that kind of a capability.

Again, I would take the same position——

Senator SARBANES. Well, after you have filed that exclusive story for your paper, would your view then change on the policy?

Mr. ZAIDI. It will depend when. If it is 10 years from now, the Afghan situation has precipitated it, yes, it might change. If the regional situation is not as tense as it is today, yes, my views might change.

Senator SARBANES. Well, gentlemen, thank you very much for your testimony.

Mr. ZAIDI. Thank you.

Dr. MOTWANI. I would like to have 1 minute. This is in reference to my friend's unpleasant reference to journalist Kuldip Nayar. I would like to say that he is one of the most credible, creditable, and objective journalists in India. And he even criticizes policies of the Government of India.

And the other thing: The authenticity of the interview is indirectly supported by the statement made by Ambassador Hinton, which I again read: "I must add in all candor that there are developments in Pakistan's nuclear research program which we see as inconsistent with a purely peaceful program."

Thank you.

Senator SARBANES. Well, gentlemen, thank you very much.

Mr. ZAIDI. Thank you very much.

[Whereupon, at 12:31 p.m., the subcommittee was adjourned.]

FISCAL YEAR 1988 FOREIGN ASSISTANCE REQUEST FOR THE WESTERN HEMISPHERE

WEDNESDAY, MARCH 25, 1987

U.S. Senate,
Subcommittee on Western Hemisphere
and Peace Corps Affairs
of the Committee on Foreign Relations,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Christopher J. Dodd (chairman of the subcommittee) presiding.

Present: Senators Dodd, Kerry, Sanford, Adams, Helms, Lugar, Kassebaum, Pressler, Murkowski, Trible, and Evans.

Senator **Dodd**. The Subcommittee on Western Hemisphere and Peace Corps Affairs this morning is holding a hearing on the administration's fiscal year 1988 foreign assistance request for the Western Hemisphere. We will have as our first panel of witnesses: the Honorable Elliott Abrams, the Assistant Secretary of State for Inter-American Affairs; the Honorable Dwight Ink, Assistant AID Administrator for Latin America and the Caribbean; and Gen. John R. Galvin, Commander in Chief, U.S. Southern Command.

Before beginning this morning with our witnesses, I would like to state at the outset that this subcommittee and the full committee, obviously, will today and over the next several days review the fiscal year 1988 economic and military aid requests for Latin America and the Caribbean. I hope to take this opportunity to review not only the questions of aid levels to the region, but also our U.S. foreign policy goals and concerns with respect to the region in general.

And while the Congress has certainly held its fair share of hearings and debate on specific regional issues of concern, much of our time, quite frankly, has been consumed over United States policy with respect to Nicaragua and specifically on whether to assist the Contras.

This is understandable, but regrettable in some respects, because this has meant that less time has been spent considering how our Contra policy has affected U.S. relations in the hemisphere as a whole or whether U.S. policy with respect to the majority of the countries in the region is serving U.S. interests and goals.

It is my intention today and over the coming months to begin to redress this imbalance. Today I have invited administration representatives from the State Department, AID, the Defense Department, and the Inter-American Foundation to appear before the subcommittee to provide it with a rationale for the $1.7 billion in economic and military assistance they are seeking for the hemisphere.

This amounts to 23 percent of our overall bilateral aid program. I will be particularly interested in hearing the administration's views on how and why certain categories of assistance, particularly security-related assistance, have grown rapidly since 1981.

It is important for the committee to consider how the explosion in military assistance to the region, an increase of some 350 percent since fiscal year 1981, has contributed or detracted from the efforts toward regional peace and stability.

I also intend to explore the implications of the shift in focus of U.S. assistance within the hemisphere. U.S. assistance to the hemisphere has become overwhelmingly focused on Central America. Some 66 percent of the administration's fiscal year 1988 request for Latin America and the Caribbean is destined for Central America, 25 percent to one country, El Salvador.

This is a rather striking statistic when you consider that less than 7 percent of the population of Latin America and the Caribbean resides in Central America. In addition, it should prove helpful to the committee as it begins to mark up the administration's legislation to have on the record a clear understanding of the rationale for a number of legislative changes to existing law which the administration has proposed.

Some of these changes, such as the proposed change to Section 660 of the Foreign Assistance Act dealing with police training prohibitions, touch upon concerns which the Congress has had in the past with respect to specific U.S. policies and programs in the hemisphere.

It should be instructive to compare AID's goals and programs with those of the Inter-American Foundation, an agency devoted to assisting the poor at the grassroots level. This should better allow the committee to make judgments concerning how scarce foreign aid dollars might be most effectively allocated.

I would also like the administration to discuss with the subcommittee its views on three joint resolutions, Senate Joint Resolution 90, Senate Joint Resolution 91, and Senate Joint Resolution 92, resolutions which, if enacted, would terminate 50 percent of United States aid to Mexico, the Bahamas, and Panama pursuant to the provisions of the Anti-Drug Abuse Act of 1986, because of the alleged lack of cooperation on drug interdiction and eradication efforts.

I would add that this is a matter that was the subject of some discussion yesterday in our committee, as those matters were about to come to a vote. And I think, Mr. Secretary, you have been notified that we are interested in discussing those matters with you.

What we might do for the purposes of clarity here is go into the general aid discussion and then come back to those three resolutions for your comments in regard to the law and what the views of the administration are specifically, unless of course my colleagues have questions they want to raise earlier regarding those matters. I will leave that up to them.

As you know, as I said, these resolutions came up for discussion yesterday. At that time, the committee agreed to delay action on this matter so that it might use the opportunity of this hearing to question you and the other administration officials on the rationale for the President's certification that these countries were cooperating with U.S. eradication and interdiction efforts.

In any event, the committee will be discharged from further consideration, I might add, of these resolutions if it does not act by Friday.

Finally, several public witnesses will testify today in order to provide the committee with an independent assessment of our policies and programs in the region.

Unless other members would like to make opening statements, I would ask Senator Evans if he does. We will begin, Mr. Secretary, with your testimony.

Senator EVANS. Mr. Chairman, I will not make an extended opening statement except to repeat something that I said on the floor last week and I said before, that it seems to me the strongest and best and most effective thing we can do in Central America is to build strong, vibrant, economically healthy democracies in those nations which either have had long and traditional democracies or are now beginning down a free and democratic track.

I have also been struck by the concern shown by many over the so-called domino theory, that if one nation falls others will fall. But I am not sure that those who believe in the domino theory have played very much with dominoes. Dominoes can tilt in two directions. They can fall in one direction, they can fall in another direction.

I suspect that the best way we can help ensure the fall of the dominoes in the right direction is to isolate the government of Nicaragua, surround it by strong and vibrant and free and economically healthy nations. Contras can infiltrate borders, but so can ideas.

And I think that it is important for us to do everything we can in our aid programs, both military and economic, to go the furthest we can down that road of strengthening our friends, of showing our adversaries, and most of all showing the people who live under the yoke of Marxist leadership in Nicaragua, that there are better ways and better opportunities.

I would be interested also in your views on the continuation of where we have loan programs, particularly in the military assistance side of things, are we putting countries into debt or further into debt from which they cannot escape, and should be instead concentrating almost fully on grant programs versus loan programs.

I would be interested also in your commentary on what I believe is the biggest potential threat to security and stability in the entire range of countries south of our border, and that is in Mexico, a far bigger nation, more important nation, economically far larger than any of the other Central American countries and all but one or two of our South American neighbors.

Whatever views you may have on the workings, for instance, of the immigration bill. Is that causing a number of those who are currently in this country to be forced to return to Mexico, creating perhaps some additional instability as they retreat from jobs that in our view are not very good, but in their view are extraordinarily good.

Are we going to lower the amount of repatriation of dollars and money back to Mexico? And I would be interested in your views as to the future stability, political stability and economic stability, of a country which I am confident would affect us far faster and far more than any or all of the Central American countries put together if we got to a point of instability.

Mr. Chairman, I look forward with interest to this hearing.

Senator **Dodd**. Thank you, Senator Evans.

Secretary Abrams, we will begin with you if we could. And we will accept, by the way, for the record any prepared statement that you have and let you proceed as you would.

STATEMENT OF HON. ELLIOTT ABRAMS, ASSISTANT SECRETARY OF STATE, BUREAU OF INTER-AMERICAN AFFAIRS

Secretary **Abrams**. I will try to be brief. Let me just say by way of starting that I am particularly happy to have Mr. Ink and General Galvin with me and particularly unhappy that General Galvin is moving on to the CINCEUR, because we have had a very marvelous, in the Department, a marvelous relationship with him in his period as Commander in Chief of the Southern Command.

Senator **Evans**. Mr. Secretary, I wonder if you could speak a little closer into the microphone.

Secretary **Abrams**. Sure.

We share the view that you express, Mr. Chairman, that we have very large interests in the Western Hemisphere, and look forward to examining them with you, both today and in future hearings.

As you know, we are requesting a total of $1.324 billion in economic assistance and $271 million in military assistance. Those proposals are sharply lower than our request last year. The percentage for economic aid out of the total is about 83 percent. In fact, the requests for both economic and military assistance are down over the past few years, not as a reflection of reduced interest in the area, but of the overall budget constraints under which we operate.

About two-thirds of the requested funds overall, as you pointed out, would go to Central America. It is our view that the assistance that we have given to the countries of Central America in the last 5 years or so has in fact ended the economic decline in the area and has been very important in helping them move in the direction of democracy as they have done.

Another key interest of our country, one being democracy and development in Central America, is of course the fight against narcotics. And our aid to the Andean countries to fight narcotics has to be viewed, I think, as a package. Part of it is direct antinarcotics aid, for example aid that is given through the Narcotics Bureau of the State Department or DEA.

Part of it is security assistance, because in many cases the forces that conduct antidrug operations are the local military forces. And part of it is development assistance, economic assistance, which helps the people of those countries survive and move away from at least a partially drug-based economy.

Our aid to the Caribbean likewise is meant to help economic development and to help the development or in many cases the survival of very strong democracies in the area. And of course, one of the economic problems which our aid is meant to overcome or help cope with is the problems which we cause ourselves by our sugar program. We kind of take away with one hand and we give with the other. Unfortunately, I think we tend to take away more than we give.

We try in this program to put into effect some of the lessons we think we have learned from past years. One of them for example is that economic reform as a condition of assistance is a good idea. How you do the conditionality is of course always a difficult question, but the notion that there should be domestic internal economic reforms as part of these programs is a good one, or else you are throwing good money after bad.

We also think that training has proven its value as part of the economic and military programs, and I would like to put in just a pitch here, and we will come back to it later, for IMET, because I think it is one of the most valuable programs we do, dollar for dollar, in the entire assistance program, military and civilian.

Training of military forces to help professionalize them, to familiarize them with the United States, to familiarize us with individuals who are going to be tremendously important in their countries futures, is just—it is a small investment in dollar terms and it is a very useful one.

And finally, just to come back to that idea about drugs, one thing we have learned is that you cannot have a successful antinarcotics program unless you deal with the question of how campesinos, poor farmers, are going to make a living. It is all very well to lecture them about moving out of drugs as a crop, but they are not going to do it if it means their children starve.

So the question of a broader package which includes not only enforcement activities, interdiction activities, eradication activities, but some way of helping the farmers move into survival on another crop, is also I think a lesson that we have learned.

Changes in this program: An increase in economic assistance to Guatemala, for obvious reasons, to help the transition to democracy there; an increase in assistance to Bolivia, that is for the antinarcotics efforts there; an increase in economic aid asked for Honduras; and a small increase on the military side to Guatemala, and similarly in Haiti.

The only new program in the whole proposal is a $1.5 million MAP proposal for Uruguay, to support President Sanguinetti as he consolidates the country's return to democratic rule and to facilitate cooperation between the new civilian authorities and the military.

We also seek continuation and broadening of the administration of justice program, which we think is an important program for strengthening democracy in this hemisphere. We expect in the future to continue to stress structural transformation of economies, equity, democratization, improving economic performance, expanding the benefits of growth. The right balance varies, of course, depending on the country.

Well, why don't I stop there in the interests of time and thank you again for this hearing.

[The prepared statement of Secretary Abrams may be found in the appendix.]

Senator Dodd. Thank you, Mr. Secretary.

General, do you have any opening comments you would like to make, or Mr. Ink, either of you?

By the way, congratulations as well on your new position. You have done an excellent job, I know, in the Southern Command.

STATEMENT OF GEN. JOHN R. GALVIN, U.S. ARMY, COMMANDER IN CHIEF, U.S. SOUTHERN COMMAND

General Galvin. Thank you, Mr. Chairman. I would like to say a few things.

Essentially, to make it very brief, and I will present a statement, to make it very brief, I am worried about the connection that I see between drugs and insurgency in Latin America. In the 17 countries over which I have some cognizance, 10 of them have growing insurgencies now, and many of them, especially in the Andean Ridge and others, are involved in tremendous drug trafficking.

This—when we look at the fact that 10 countries have become democracies in the past decade in the region, I think we can be very happy with that, because democracy is the best bulwark against communism, against Marxist expansion.

But at the same time, those democracies are weak. They are historically weak in their infrastructure, for all the reasons that we know. The past 400 years has shown us that. But they are also weak because they are new democracies, fledgling democracies.

They worry about a wide constituency. They tend to sweep some things under the rug, Mr. Chairman. There are a lot of guerrillas under the rug and there is a lot of drug trafficking under the rug.

I am afraid that the combination of those things, and that is that the attack on the infrastructure by Marxist guerrillas and the corruption of the infrastructure by enormous sums of money, is going to have a very—create a very dangerous situation for us in the immediate future in these young democracies, which are not in some cases prepared to deal with all of that. I think they need our help.

Security assistance is one of my most important tools, because I do not really have very much in the way of military strength, especially in South America, which is 20 percent of the world's land mass. There in South America, I have a total of 43 officers and a military assistance budget in the past fiscal year of $5.6 million.

So therefore, my ability to conduct a military-to-military interface with those nations of South America especially, in order to further our government-to-government aims in the progress of democracy in the area, is very much dependent on a small amount of security assistance, actually less than 1 percent.

Nevertheless, in importance to me it is a great percent. I can do other things. I can have conferences and exercises and visits and war games and other ways to get vehicles for military-to-military interface. But the most important of all is security assistance.

Therefore, Mr. Chairman, I have set in my paper which I will submit to you what I call an action agenda. It is just the last part of the paper. I hope that, if there is not time for it all, that the committee will look at the last part.

And I would sum that up by saying, we need to get away from the idea of no profit, no loss, in security assistance, because it does strange things to what we are doing and it causes us to undermine our own approach. I set that forth to some degree in the paper, but I will give you an example.

We gave some ammunition, recoilless rifle ammunition, to Ecuador some time back. When they fired it, it exploded in the breach and killed three soldiers. Ecuador asked us to examine the ammunition to see if there was something wrong. We sent a team to examine the ammunition and found that over 400 rounds were not good. They were dangerous. If they had been fired, they might have killed more people.

We charged the Ecuadorians $180,000 for the examination and then asked them to pay for the new ammunition to replace the other. The reason for that was that the bureaucrats looked at the guidance provided by the Congress, and I think distort that to some degree. But nevertheless, I think the Congress really needs to look at the guidance.

Now, in a couple of other areas for which I will not try to provide examples—the number 43 of my personnel in South America, for example, is tied to FMS sales. If I am there to provide a military-to-military interface that tries to show through example what a military organization should be—that is, subordinate to civilian control, apolitical, supportive of democratic development and civic action—then if we tie the number of people to FMS sales, what are we saying?

In IMET, I would simply say that I now have congressional amendments, Mr. Chairman, on 80 percent of the area and 71 percent of the population of Latin American countries that I deal with which prohibits IMET or in one way or another restricts IMET.

So I have very little flexibility at all. Now, I am not saying the amendments are wrong. I am saying that some of them are 12 years old and maybe they need to be reconsidered. It would be up to you, of course, as to whether or not they should be continued or should be modified.

But I really am tightened down now by the amendments, and I do not have very much flexibility in dealing with training of officers.

There are 17 countries. In six of those countries today, the air force commanders are wearing the wings of the U.S. Air Force because they were trained in Texas and other places. I have never met an officer in Latin America who was trained in the United States who did not have something good to say about us and about the relationship with us.

But there are only six left now in those countries. And that is true across the board a rapidly disappearing number of people who have had some training and therefore some ability to see us, some training in the United States. The police training Mr. Chairman. Years ago, to take an example, a big city police force in the United States was not what it was today. It was maybe a billy club police force.

Today when you go to a big city in the United States, like Washington for example, the policemen have Ph.D.'s in police science. They know things that policemen 20 years ago did not know.

We had a bad experience in the past, I admit, in which we sent retired policemen and others down to do police training in Latin America and I think they did billy club training. But that would not be so today, I do not believe at all. I think that we can control, with this Congress and with the military and with the Ambassador in the country, the kind of training that we want.

There is urban insurgency that grows if you do not have some kind of discipline within cities.

The final point is a minor point, but in some ways a big one. I think security assistance ought to be called "defense cooperation." Security assistance smacks from the days after World War II when we had a big surplus out in Arizona of airplanes and we were trying to do something with them, et cetera.

I think today we are not trying to provide as much security assistance to one of our fellow nations of the hemisphere as we are trying to make sure that we are cooperating in the overall stability of this hemisphere, and therefore in the future of democracy here.

Thank you, Mr. Chairman.

[The prepared statement of General Galvin may be found in the appendix.]

Senator **Dodd**. Thank you very much, General. I think your action agenda will be very helpful.

Mr. Ink, any brief remarks you might have?

STATEMENT OF DWIGHT INK, ASSISTANT ADMINISTRATOR OF AID, BUREAU OF LATIN AMERICA AND THE CARIBBEAN

Mr. **Ink**. Yes, Mr. Chairman, I would like to make a few remarks and submit the full statement for the record.

Senator **Dodd**. It is accepted.

Mr. **Ink**. Mr. Chairman, we believe that the economic assistance program is very important both from the standpoint of meeting the basic social and economic needs of the people in the hemisphere in which we live and also as integral to our overall U.S. security and economic interests in the world. Stable, friendly, democratic governments, I believe very strongly, are the best hope for preventng economic chaos and increased violence in the Western Hemisphere. In Latin America and the Caribbean the percentage of people living under democratically elected governments has risen dramatically from roughly 30 percent in 1979 to in the neighborhood of 90 percent today. That is a very substantial change.

As the General said, of course, these democratic institutions are fragile in many instances and these gains that have been made to date will be very difficult to sustain without the further economic and social progress that will require continued support over the next few years. We regard economic stability as essential to sustain improvement in the lives of people and despite some setbacks and some problems we believe the region has made significant progress in adjusting to the problems that existed in the late seventies and particularly the early 1980's.

The real GDP growth, for example, was negative through the early eighties. It is still not high, but at least it is now a positive growth. We believe that the economic support funds have provided the foreign exchange that is needed to maintain essential imports for production to cushion the effects of the temporary declines in economic activity which of course strike the low-income groups the hardest.

Stabilization policies and action are an essential beginning, but sustained long-range economic growth is essential for ending widespread poverty, and here government economic policies are critical, even though we look to the private sector as the engine for that growth. Economic support funds provide the incentives for governments to adopt policy reforms that are needed to stimulate growth, private investment, and export diversification. We would stress, however, that with all the emphasis that we place upon stabilization and economic growth, growth by itself will not fully meet the needs of people in these countries. AID-supported human resource projects along with greater efficiency, better management, improved technology, the use of cost recovery measures, are needed to assure that the coverage of basic social services can rise.

We are strongly encouraging these efforts through institution building, through the training that the Secretary mentioned, and technology transfer. We are also targeting funds, as you know, to such areas as child health programs and maternal health programs, which are focused largely, though not exclusively, on the poorest and most vulnerable groups in these countries.

Infant mortality rate has declined from 61 per 1,000 in 1983 in Central America to an estimated 57 per 1,000 in 1986, and that, we think, is a very important indicator of progress. The primary shool completion rate in Central America has risen from 72 percent in 1983 to an estimated 75 percent in 1986, very encouraging. The scholarship program which the Secretary mentioned has moved forward and as of now we have exceeded our target by about 20 percent.

Progress on the economic front nevertheless is slow, Mr. Chairman, and I think we have to point out that in addition to the internal problems, in addition to some instances in which we feel that the governments have not moved as fast or as far as perhaps they might have, the problem is largely external in our view. The world prices have remained low. Coffee prices went up temporarily, but they are now lower than they have ever been. The GDP growth rate in the world's industrial countries fell from 4.7 percent in 1984 to 2.7 percent in 1986. It is hard for these countries to move out in an economic sense and export in a world in which the overall activity is declining. Rising protectionism in the industrial countries has dampened the export possibilities and inhibited investments.

Narcotics trafficking and terrorism are a major challenge to the Andean countries. The Nicaraguan problem and the continued insurgency in El Salvador present special and very serious problems for Central American recovery efforts. Earthquakes in El Salvador and Ecuador have had devastating consequences. We have proposed adding to Central America some $300 million. Without those funds the cumulative shortfall in economic assistance, shortfall under what the Kissinger bipartisan commission has recommended, would be about $1 billion by the end of fiscal year 1987. That is a very substantial shortfall.

AID is a major participant in the U.S. efforts to eliminate the flow of narcotics from Latin America. We are not involved in the enforcement part of it but we are in others. The threat for young men and women in the United States, of course, is very serious, but it is also a problem for the young men and women and their families in the countries where it is grown. We are striving to increase public understanding in those countries. The consequences of the narcotics activities are shocking from a social standpoint, from an economic standpoint, and from an environmental standpoint. We believe that this awareness is beginning to help build a constituency within those countries to help the leader as they take courageous actions to deal with this very, very serious narcotics problem. I would like to say, Mr. Chairman, I think we in the United States grossly underestimate the difficulties that these countries and their leadership face in dealing with the narcotics problem, which is largely generated by demand in the United States which is largely responsible for these problems. I think it is a shame that we do not better understand the courage which is required on the part of these leaders and the difficulties they face in finding the resources to move out effectively against the narcos.

As the Secretary said, we are putting efforts into programs that provide alternative income and employment opportunities for those who have voluntarily eradicated coca, but that can succeed only to the extent that there is a sustained interdiction program and eradication takes place. It in no way is an incentive which will result in farmers moving away from the lucrative coca production or marijuana production into other crops, without sustained interdiction.

You have the material on our request numbers. I will not go into that. I would like to say that last year the congressional earmarks, particularly in economic support funds, combined with the necessary overall budget reductions which we all recognize had to take place, these have decreased the funding priority for our own hemisphere and limited our ability to achieve our goals. The earmarks in 1987 accounted for three-fourths of the total economic support fund appropriations. As a result, ESF funding for economic assistance to Central America, for example, was reduced by 37 percent from our request, and the unearmarked programs in countries in the Caribbean and Andean countries were cut about 62 percent from our request levels, which was a disproportionate cut if you look at the world as a whole. It came as a very serious blow to our friends, and has raised serious questions about the depth of the U.S. commitment in our own hemisphere.

I am also concerned about the pressures toward institutional earmarks. I believe these very substantially weaken our ability to administer programs effectively. I think it undercuts our accountability to the Congress and to the public. The recipients tend to regard those funds as guaranteed, and therefore their incentive for performance is weakened, and finally, I think it raises serious questions of equity.

Mr. Chairman, we recognize the budgetary problems are serious. We have worked hard in the management area, which I will not take time to go into except that we have a management by objective system that has been very, very useful and is woven into our day to day program and project management. We still are handicapped by a shortage of qualified controller and procurement people, and that has resulted in some problems, some of them serious in a managerial——

Senator **Dodd**. I want to be careful, Mr. Ink, that we do not go on too long.

Mr. **Ink**. Yes, sir. I have one more sentence.

Senator **Dodd**. Fine.

Mr. **Ink**. Yes, sir. The economic revival that we think is underway and the additional jobs it provides in the United States as well as in these neighboring countries are, we think, very important to maintain, and failure to maintain assistance, as we see it, is going to invite further economic crises, violence, further loss of U.S. exports, and loss of U.S. jobs.

[The prepared statement of Mr. Ink may be found in the appendix.]

Senator **Dodd**. Thank you very much. We will follow the 10-minute rule here on the committee for questions, and move along as rapidly as we can. Senator Kerry, I mentioned earlier that I thought we might go through the general questions first and reserve, if you want, time on the narcotics specifically. If you want to get into that right at the top, that preference is fine.

We have got, I think, some people here from the administration as well who are prepared to testify today probably with greater specification on the certification than maybe the Secretary himself. First of all, for General Galvin and Secretary Abrams, if I can, I alluded to it in my opening statement and you both discussed it to some degree in your opening remarks as well. I pointed out earlier that the overall request for military assistance for Latin America and the Caribbean has risen by some 360 percent in the last 6 years. The request for Central America in 1988 is 400 percent above what the 1981 level were. Now, obviously, there has been a guerrilla war in El Salvador, and there has been the concern about Nicaragua, but still those two levels are rather high.

The 1988 request, General Galvin and Secretary Abrams, includes MAP requests for countries which received no funding in 1987 and in some cases, such as in Peru and Uruguay, which you have already referred to, General, it includes new requests, and a doubling of the requested levels in MAP assistance for Bolivia, Ecuador, Jamaica, and Haiti. I appreciate the fact that there are demands and I appreciate your efforts to make a distinction when I think a distinction is appropriate with defense cooperation. However, in some instances there are concerns about neighbors and their intentions. I wonder if you might spell out for the committee to the extent possible what are the security threats for Ecuador or Jamaica that would warrant a doubling of the MAP assistance request.

General **Galvin**. Mr. Chairman, first of all, on the overall comment about the increase since 1981 in Central America, let me address that first. That increase has gone primarily to two countries, El Salvador and Honduras, where the war has been on, and the El Salvador average for those years has been about $100 million a year. That is our support for—I am talking military support only now, that is our support for the development of the Salvadoran armed forces in order that they could fight the guerrillas, and of course the guerrillas have gone down now from 11,000 to about 7,000, and so the war proceeds successfully.

The other part, which is an average, and I would have to provide the precise average, but around $50 to $60 million in Honduras has been for the protection of Honduras in the sense of providing a greater readiness to meet the threat from Nicaragua. Nicaragua has invaded Honduras a couple of times in the past 2 years, and so the threat is real. To move to the other countries that you specifically mentioned in South America 10 of the 17 countries now have active insurgencies, and I believe that we should try to work within the government-to-government relationships with the military structure in order to help those governments combat those insurgencies, and of course where possible the counterdrug operations, too, where the military is involved. Some of that does involve military because it has grown beyond what can be controlled by the police.

In a couple of countries, Mr. Chairman, we have seen a move from—a recent move from a military controlled autocratic government to a democratic government, as in Guatemala, for example. There was a thrust—I do not know how precise you could be about it—with reference to Guatemala over the past several years, that we would not provide any kind of military assistance to a government that was run by the military, and I think that was absolutely correct. But it conveyed an attitude also that I think we meant to convey, and that was that if the military did turn over the government to the civilians and backed away from the government and started fighting the guerrillas instead of trying to run the government, that there would be some kind of help to them in order to do that. They really are in poor shape to do it, as you know.

Senator **Dodd**. I understand that. Let me ask you this. With a budget of $257 million in military assistance with 82 percent of it going to one pocket, I presume you are running into some resentment over the fact that the lion's share of this assistance is going to one area where they have their needs and demands, putting aside whether or not there is an immediate military emergency, say, in Ecuador or Brazil or elsewhere. I presume you are getting some pressure there when they see such a significant percentage of those dollars going to one area, or am I wrong in that assessment?

General **Galvin**. You are correct. There is a resentment there, Mr. Chairman. It is not so much an envy of a country that is getting it. It is a resentment that the United States does not see the dangers in some of the other places. That is what I usually get in my conversations with the military there. They say, if you recognize what is going on in El Salvador, and I admit that that is what is going on in El Salvador, then they ought to get that kind of support. Why do you not recognize what is going on in Colombia? Why do you not recognize what is going on in Ecuador, the destabilization that is occurring? I get a lot of that.

Senator **Dodd**. What is going on in Jamaica that would require a doubling of this military assistance?

General **Galvin**. That is not my area.

Secretary **Abrams**. Sir, let me just say one thing about Jamaica. Just the level that we requested for 1987, for example, for Ecuador was $8 million. We got $3 million. Now we are requesting $7.5 million. So this is not a new position on our part that something happened this year which requires additional amounts. We believed it last year, too, that they need an additional military capability. Similarly Jamaica got $7.5 million in 1986. We asked for $8 million in 1987. We got $3 million in 1987. Now we are asking for $6 million.

Senator DODD. I know, but Elliott, you can play that game, you can ask for so much.

Secretary ABRAMS. Fine, but I am just saying that this is not a new position. In fact, we are reducing the request. We are not all of a sudden jumping to a higher request level. What has gone on in Jamaica——

Senator DODD. Which is our baseline, what you requested or what we gave you?

Secretary ABRAMS. The baseline for us, of course, is what did we think the need was last year.

Senator DODD. The base line here is a bit different when you are dealing with Lawton Chiles and Pete Domenici.

Secretary ABRAMS. From 1986 to 1987 we cut by about 65 percent security assistance to Jamaica. I think the answer is in most part drugs; that is, that we want cooperation from the security forces in Jamaica. We are getting it. But they are going to need resources.

Senator DODD. It is the drug problem in Jamaica?

Secretary ABRAMS. The drug problem is part of it. The other thing is that, you know, Jamaica is a country which has had a fair amount of violence over the past 20 years associated with its politics. The Jamaica constabulary has been a source of stability in that country. It has been nonpartisan. It has worked under Seaga. It has worked under Manley. And maintaining its professionalism is a good idea.

Senator DODD. Are there not other programs? We are primarily talking about assistance that would go to deal with the external threats or possibly drug abuse, but are there not police programs and so forth that would be more inclined to deal with what you are talking about rather than——

Secretary ABRAMS. Well, additionally, we have, of course, not been allowed to do police training, which gets back to the other problem. That is that we are caught sort of, you know, one way and the other. Now, there were some exemptions, as you know, last year for some democratic countries—that was a real step forward. But we think that for a country such as Jamaica, a country which is, by the way, now facing an election next year, that request of $6 million is not an excessive amount.

Senator DODD. Haiti?

Secretary ABRAMS. Well, Haiti is a different example. I mean, it is a very different case. It is not sustaining a democracy. It is trying to help a country move into democracy, and there it is very clear that the armed forces of that country have been in the past without professional training, and we think it is a useful contribution to the advent of a democratic government. We hope, next year in Haiti, that they have a professionally trained military force. They really need one. You know, under the Duvalier regime, order was kept largely by the Torton Maconte, which has been disbanded. The army helped get rid of Duvalier, and what we would like to do is to help train the army. Now, the French are helping to train the gendarmerie. Again, we cannot do that kind of police training. The French are usefully doing that. But we think that—we are not talking about lethal aid to the Haitian military. We are talking, for example, about aid in dealing with riots. If they do not have it, the likelihood is that they will use guns to deal with riots, and that is just a disaster.

Senator **Dodd**. I do not argue with you over the necessity in some of these areas. What I am arguing for is that with such limited budgets that we have to deal with and where you have a country like Haiti that is absolulely crippled—the level of poverty there defies imagination unless one has seen it or been to Calcutta—that while there is obviously an argument to be made for military aid, that country's economic and social problems are so profound that the thought that somehow stability is going to come by providing additional military assistance staggers the imagination of this particular Senator.

Secretary **Abrams**. If I could say, Mr. Chairman, we are giving 1 percent of our aid to Haiti in the form of military aid. We are giving roughly $1 million in military aid and $99 million in economic aid. So I do not think that we really can be accused of emphasizing military aid, but, for example, many members of the democratic opposition who are trying to be elected president have acknowledged that nonlethal military aid, not bullets, not guns, but training and help in controlling—training to help control riots, tear gas, for example, is useful to them, they think, in getting to the point where there can be free elections in Haiti, so I think that 99-to-1 ratio—if anything there is not enough military aid to Haiti.

Senator **Dodd**. Senator Evans.

Senator **Evans**. I defer to Senator Kassebaum.

Senator **Kassebaum**. Mr. Chairman. I would like to ask you, Secretary Abrams, first, on the ESF increases, which are substantial, and particularly with the regional programs, now, that is on top of the country specific and it is a 40-percent increase for the regional programs, and this is on top of the $200 million supplemental for ESF funding. Is that correct?

Secretary **Abrams**. I think I would like to ask Mr. Ink to respond to that, if I could.

Senator **Kassebaum**. Thank you. Mr. Ink.

Mr. **Ink**. With respect to economic support funds increases, the administration of justice and training programs are an important part of the regional increase that we are seeking. The administration of justice we think is quite important in terms of helping to establish confidence in the democratic system in these countries without a court system which can function effectively, for example——

Senator **Kerry**. Can I ask you to move the mikes, maybe, all of you, a little closer?

Mr. **Ink**. Yes, sir.

Senator **Kerry**. I do not know if I am alone, but I am having some trouble hearing. Thank you very much.

Mr. **Ink**. I think it was not on, so this may help, too. Is that better?

Senator **Kerry**. It is the question of closeness. That is better.

Senator **Dodd**. You have to speak up so we can hear you. it is a little difficult.

Mr. **Ink**. The administration of justice is an area which we think is quite important in terms of developing and maintaining credibility in the democratic system in these new and often fragile democracies. A court system which does not function, a court system in which the records are sprawled on the floor and on tables and which have no systematic filing means oftentimes that the cases cannot come to court for many months and no matter which side of the case you are on it is really not justice.

I mentioned training. Particularly in the scholarship program in which we are trying to reach the more disadvantaged, the poorer people, which is again pursuant to the Kissinger Commission, but which we are also extending into the Andean countries and into the Caribbean, those costs are somewhat higher because it takes more effort to do that sort of thing. We are also giving greater emphasis to the environmental areas.

Senator **Kassebaum**. So that is part of the increase from 1981 which was about $144 to $700 million requested for 1988. Is that correct?

Mr. **Ink**. Yes, but of course, if you go back to 1981 and consider nonregional accounts, then you have many developments such as the whole thrust of the bipartisan commission recommendations with respect to Central America, and you also have the serious problem we are dealing with in the Andean countries, the narcotics threat.

Mr. **Ink**. We have also been putting a good deal more emphasis into trying to help these countries diversify their exports so that they are no longer dependent upon the traditional crops of sugar, coffee, and bananas.

Senator **Kassebaum**. Mr. Ink, I am little confused. At the time that we authorized the recommendations of the Kissinger Commission in 1985, an authorization of $1.2——

Mr. **Ink**. I am sorry, it included what?

Senator **Kassebaum** [continuing]. An authorization of $1.2 billion for 1988 and 1989, I believe.

Now, the ESF funds that we are talking about is part of that; is that correct?

Mr. **Ink**. Yes, but we, of course, did not reach the $1.2 billion in terms of appropriations.

Secretary **Abrams**. We never got the appropriations.

Senator **Kassebaum**. That is right, but this is all part of that.

Mr. **Ink**. There is a substantial difference between the $1.2 billion authorized which was consistent with the Kissinger recommendations and what was actually appropriated.

Secretary **Abrams**. We are, in fact, about $1 billion behind the actual appropriated levels that had been suggested by the Kissinger Commission.

Senator **Kassebaum**. At the time that we debated all of this and the recommendations of the Kissinger Commission, I remember that there was an extensive discussion on how these would be run, and at that time CADO was established, which I believe was responsible to oversee the initiation of these programs. Is that correct? What is the standing of CADO at this point?

Mr. INK. CADO is not yet established. There was a recommendation with respect to CADO, and there was a congressional resolution which came later which called upon us to explore with these countries the establishment of a CADO.

The CADO was designed in part to help establish a meaningful dialog among labor, among the private sector, and government in these countries. This has been a traditional problem, as you know, and in doing that then provide some kind of mechanism that is Central American in nature that could make recommendations with respect to portions of the U.S. assistance that might come to those countries.

That is in the process of being established and has not yet come into being.

Senator KASSEBAUM. Well, maybe I should say CADO is Central American Development Organization, just for anyone wondering what CADO might mean, but I remember at the time of that debate that the intent was that CADO would oversee aid in the region and would be largely responsible for the disbursement of the moneys that were coming through the Kissinger Commission initiative, and that it was hoped that we could also include other donor countries.

I think it was really designed to be responsible for this money.

Mr. INK. That is not my understanding of the nature of CADO, and I do not see that in the congressional resolution.

I think it was more, from the discussions I have had, intended, as I say, to provide a mechanism in which labor, the private sector, and the government could begin to come together in a way on development issues they have not been able to do in the past. They have been very far apart.

Secretary ABRAMS. I think, Senator, that Mr. Ink is right. That is, I think you are remembering an earlier version of CADO when it really was the distribution mechanism.

It emerged finally as more of an advisory mechanism on the distribution of foreign aid moneys without the extensive powers that I think had been initially talked about.

Mr. INK. Under the resolution, in fact, it would have no powers.

Senator KASSEBAUM. It has no powers.

Mr. INK. It would have no powers under the congressional resolution.

Senator KASSEBAUM. So your administration of justice initiative, for instance, is administered by AID; is that correct?

Mr. INK. That is correct, yes, and with the help of the Justice Department.

Senator KASSEBAUM. General Galvin, you mentioned IMET and the changes that you thought could be beneficial to it working more effectively.

Could you just give one or two specific examples?

General GALVIN. Well, I think we need to look at the police amendment 660.

Senator KASSEBAUM. Pardon, the police?

General GALVIN. At the police training amendments. In IMET, I think that what I would like to see is—let me say overall, Senator, if we do have some differences with a country, let us say Chile, Paraguay, we need to look at whether or not that is the time to cut back on our capability to communicate and possibly to influence the country.

I realize that cutting back on IMET or schooling for officers is a chastigation and a message, and maybe it is necessary, but some of these messages in terms of amendments are rather old now. Did we get what we aimed for or should we try to have more influence in the military of allied countries through this opportunity to bring military people to the United States to get some training?

Senator **KASSEBAUM**. Could I just follow this on just one moment?

I remember when we debated police training in El Salvador and other countries in the region. I thought it was to come under the Department of Justice moneys actually.

Was that not part of that debate at that time? It was not to be run by the military.

General **GALVIN**. No. You are correct, Senator. I was thinking of other amendments. Really, when we are talking about IMET, we should separate it from police training.

IMET, as you know, is more school training mostly in the United States for foreign officers.

Secretary **ABRAMS**. It is two separate issues related, I think, by the fundamental idea that the best thing to do in the face of security force misbehavior in a country is to cut them off and cut off contact with them.

I think our experience has been that that does deliver a message, but it also does cut off contact, and we may want and need that contact partly to train them better but also for reasons of political influence.

Senator **DODD**. General, we are going to have markup next week or so. I would ask you to submit specifically what amendments, these perhaps antiquated amendments, that you think are ones that we ought to review before just assuming they remain in law. If you would send up specifically what the language is there, certainly I think the subcommittee and the full committee would be glad to look at those, and also the regulations.

You cited the Peruvian or Ecuadorian example with the faulty ammunition. If there are a series of regulations there that are no profit, no loss as you describe, I think the committee would be very interested in knowing where we can make a positive contribution in that area as well.

General **GALVIN**. I thank you very much, Mr. Chairman. I will do that.

[The information referred to appears in the appendix.]

Senator **DODD**. Thank you.

Senator Kerry.

Senator **KERRY**. Thank you, Mr. Chairman. In keeping with your request, I will hold off on any questions in the narcotics area, but I did want to ask the Secretary before the end of the hearing a couple of questions, sort of housekeeping, on a couple of related matters, and I would like to be able to do that afterward.

Regarding the IMET, the current law I believe requires a Presidential certification regarding democratic process, human rights, and progress in the prosecution of those responsible for the Moffitt and Letelier murders in 1981 prior to the provision of any military assistance, sales credits, et cetera.

The administration has not yet provided such a certification but is seeking at this time to undertake a military training relationship, some $50,000 under IMET, with the Chilean armed forces.

My question is, How are you proceeding? Do you plan to submit a certification in the near future?

Secretary **Abrams**. No. We have no plans to submit the certification. It has always been our view that it is useful for one thing to have funds available should we at any time in the fiscal year in question be able to make that certification.

Talking about fiscal year 1988, which ends a year and a half from now, there is no money in the budget. It is kind of a lack of incentive. If there is no money in the budget, it is a kind of indication that we think there is no chance, and we think it is much more of an inducement to show we are serious about having the relationship if we could ever certify.

Senator **Kerry**. So there is no plan to expand or to seek expenditure appropriation. Will you seek appropriation or merely authorization?

Secretary **Abrams**. We would at this point seek the authorization but do not plan to certify, so that we would not go ahead with it.

Senator **Kerry**. The request is in the appropriation, I understand. Does it make any sense to request appropriation without the certification?

Secretary **Abrams**. Well, I would make the same case, I think. It is useful to have it available. It is useful for us to be able to say to the Chileans we are ready to go if ever we can make the kind of progress that would enable us to certify.

Senator **Kerry**. That is $50,000 that we could not spend somewhere else; correct?

Secretary **Abrams**. That is true. That is sort of put off limits. At the end of the year what we do is reprogram the available funds.

Senator **Kerry**. I think we ought to look at that a little bit from our perspective, given the constraints and choices that we are making.

Second, the administration has not formally requested but I understand is contemplating the sale of F-5E fighters to Honduras.

Secretary **Abrams**. That is right.

Senator **Kerry**. Now, such a sale would represent a fundamental reversal of U.S. policy not to introduce advanced fighter planes into Central America.

Secretary **Abrams**. I would disagree with that. I think I would bow to General Galvin, but it seems to me that the replacement of super Mysteres with F-5's is in fact nothing more than a maintenance of current capability.

Senator **Kerry**. That is what I want to get at.

Secretary **Abrams**. Well, I better turn it over to the expert.

Senator **Kerry**. Let me ask the question formally, then, so it is in the record.

I know the Hondurans are seeking to replace and upgrade the current, I guess they have nine super Mystere D-2 fighters; is that correct?

General **Galvin**. That is correct, Senator.

Senator **Kerry**. They bought those from Israel in 1977.

General **Galvin**. That is right, a French fighter they bought from Israel.

Senator **Kerry**. The Honduran air force is trying to decide between the F-5E and the KFIR; is that correct?

General **Galvin**. They have actually made that decision.

Senator **Kerry**. They have decided on the F-5E?

General **Galvin**. The F-5E.

Senator **Kerry**. Now, is not the F-5E in fact a superior aircraft to the KFIR?

General **Galvin**. Actually, the KFIR and the F-5E are very close. In some ways in maneuver, in tactical maneuver in the air——

Senator **Kerry**. The producers of the F-5E are listening very closely.

General **Galvin**. I know. I am being very careful.

In some ways the KFIR has slightly better characteristics in air maneuver, but the KFIR is also an older aircraft. It is an aircraft that cannot be upgraded as much as the possibilities of the F-5E later, and it is a thick aircraft in the vernacular, which means there is a lot of wiring in it, there is a lot of plumbing in the aircraft.

So actually they work out, when you look at the pros and cons, to be almost equal.

Senator **Kerry**. But there is no question, is there, that both the KFIR and the F-5E are superior to the Mystere?

General **Galvin**. Yes, but they are not much superior to it. All three of the aircraft are not close air support aircraft. They are cap. In other words, they fly protective cover. They are fighter-to-fighter-type aircraft, protecting close air support aircraft.

They all can be used in a close air support role. They all come from the same family. The F-5 is newer. If you could maintain the super Mystere, it would be feasible to keep it longer, but what has happened is that by a couple of years from now, according to all the Air Force studies, the KFIR completely runs out of capability to be maintained.

Senator **Kerry**. All right, let me come back.

General **Galvin**. I am sorry. I said KFIR. I meant the super Mystere runs out of capability to be maintained.

Senator **Kerry**. Well, let me leave the technicalities out, because what I am really concerned about are the policy implications.

For the United States, this is the first time that we will be selling such a sophisticated aircraft into the Central America area. Does that or does it not give Nicaragua the possibility to say, "OK, the rules are changed. We get to bring MIG's in in order to defend ourselves against the potential." Then all of a sudden there is a new level of potential escalation as a consequence.

General **Galvin**. I think, Senator, we have a good argument if they do say that, because it is not an advancement. It is not a technological advancement over what we had before.

I do not think that necessarily would stop them. They brought in the HIND and HIP, and we did not bring in attack helicopters to fight there, but they did bring in the HIND into Nicaragua.

I do not think, however, it is good reasoning on their part to be able to say that. We are trying to continue the same level of sophistication and the same level of capability in Honduras. Honduras does not have a very good ground force, and they have practically no navy. They have always depended on the air force, and that has been the nature of the balance for many years.

Senator **Kerry**. El Salvador fought a war with Honduras in the 1960's. How do they respond to the notion of Honduras getting this equipment?

General **Galvin**. El Salvador right now has increased in its armed forces with relation to Honduras since the period of 1969 by quite a bit. El Salvador at that time was 14,000. It is now 50,000. So El Salvador really is not in a position to say this tips the balance.

Senator **Kerry**. Mr. Secretary, I would like to come back to the question of—I think, incidentally, that there are some issues that still have to be resolved with respect to that, but I wanted to get your opinion on another issue.

Since 1981 there has been a 400-percent increase in military assistance in Central America. There has been an 80-percent increase in economic development assistance.

Most of your request this year is for ESF rather than economic development assistance. Senator Evans, in his opening comments, talked about the strengthening of democracy in the region.

I keep hearing from the various presidents of the various countries there that given their difficulties with external debt, the ability to be able to develop a stronger economic base and be able to deal with that debt is, in fact, paramount, and that perhaps economic development is a better forum.

I wonder if you would give me the rationale for this extraordinary military increase, decrease in economic development, and the choice between ESF and economic development.

Secretary **Abrams**. Well, I think it is not right to say that the most useful way for them to deal with their debt is anything other than ESF. What I hear from the presidents of those countries is we have a massive amount of debt to pay in hard currency, and any cash you can give us to help balance the payments is exactly what we need to deal with the debt.

So to them, with all due respect to my colleagues from AID, they often say we would like to have more ESF and less DA because we can use the cash to offset debt payments that we have to make. Often it is official debt that the central bank has got to make.

So in dealing with the debt problem, there is probably nothing more useful in the short term.

Senator **Kerry**. Yes, but if we are doing that, we are really just servicing the banks. We are not forcing the Baker plan or any other consideration of writedown to take effect, and we are not putting them in the position of being able to develop their economic base to grow enough to be able to do anything more than debt service.

So we are really eternalizing the debt service.

Secretary **Abrams**. You need to do both, but in a number of these countries—Costa Rica is one of them, and I suppose Guatemala is another, and there are a number of countries in South America, too—they are in fact undertaking the internal reforms, and they are getting some development assistance from us. They are also getting a lot of assistance from the international financial institutions.

I think it is wrong to think that the best tradeoff with security assistance narrowly defined, let us call it military assistance, that is MAP and FMS, that the best tradeoff is zero. None of them really says to us would you please zero out MAP and FMS and give us more development systems. We do not hear that. They want a mixture of the three.

Senator **Kerry**. At the current ratio?

Secretary **Abrams**. Well, they want more of each, but I have not heard much of a complaint about ratios, I think, except that almost always they prefer ESF to DA because it gives them more control.

Senator **Kerry**. Thank you, Mr. Chairman.

Senator **Dodd**. Senator Evans.

Senator **Evans**. Thank you, Mr. Chairman. Let me follow up on that. Mr. Ink, do I understand correctly that the debt owed by many of these nations to private banks as well as any of the developmental banks is for extended periods at fixed interest rates and with interest rates in many cases higher than current rates of borrowing? Is that generally accurate?

Mr. **Ink**. That is true, although in a number of instances, of course, they have been negotiating new terms, and in some instances the interest rates have dropped in those renegotiations and the time has been extended.

Senator **Evans**. Perhaps some of these questions get into details of banking that would require a banker at the table and probably a banker on this side asking the questions, but let me give you an example: In a typical case of a homeowner in this country saddled with high interest rate mortgages, with interest rates now down substantially they commonly renegotiate and their interest payments drop rather substantially.

Is that allowable under the terms of the loans to foreign governments in Central and South America or is there a high or heavy penalty to pay if they were to renegotiate? Can they renegotiate at all, I mean, unilaterally say I want to pay off this loan and take a lower interest rate loan.

Mr. **Ink**. The major problems to which you are referring relate to countries such as Brazil and, Mexico, in which AID plays a very little role. Treasury is the agency in the U.S. Government that provides the leadership in terms of that kind of an issue. We have, of course, encouraged the IMF and banks to work with these countries to see what might be done in the way of rescheduling, but I think I would like to suggest that for the answer to your question, we would like to consult with the Treasury Department before providing a response.

Secretary **Abrams**. They can and do renegotiate the terms, and in fact in a number of cases the interest rates that they are paying have come down. They can renegotiate with the banks, for example, and Mexico just concluded this $7.7 billion renegotiation, so there is some significant interest rate relief in the last few years.

Mr. **Ink**. I think one of the problems is that even where there has been renegotiation the continued loss in world prices has plagued these countries, and some of the international difficulties that we mentioned earlier have handicapped them in meeting the terms and conditions even after rescheduling.

[The information follows:]

INTEREST RATES FOR DEVELOPING COUNTRY BORROWINGS

Commercial bank loans to foreign governments have, for many years, carried floating interest rates based on a fixed spread with respect to either the U.S. prime rate or the London Interbank Offered Rate (LIBOR), a measure of the interest rate which commercial banks charge each other. Thus, the recent decline in world interest rates has been fully passed on to developing country borrowers. In addition, there has been some tendency for the "spread" (the percent which the borrowing country is charged above LIBOR or U.S. prime) of developing country borrowing to decline in recent years.

Similarly, loans from the World Bank and the IDB have, for several years, carried a floating interest rate based on the two banks' average cost of funds. This average has tended to decline as international interest rates have declined, but less than the short-term reference rates used by commercial banks.

Senator EVANS. Let me deal with another element of your request as we provide aid to these nations. As I understand it, our policy and our advice is to develop their economy so that they expand their export products and their export earnings rather than just reducing their imports in order to retain some kind of foreign exchange.

Are we going to run into a catch-22 proposition here when we encourage them on the one hand to expand their export commodities and on the other face the very real likelihood in this country that we are going to pass trade legislation that will restrict those very exports from coming into the United States.

Mr. INK. We are very much concerned about that. And of course it is one of the reasons that in the work that we do with these countries we are trying to help them and encourage them to move into areas in which there is not direct competition from the United States. I think we are in danger, though, of carrying trade legislation too far because it is in the interest of creating U.S. jobs, and maintaining existing U.S. jobs that there be a healthy trade with these countries, our neighbors to the south, and we cannot have healthy trade back and forth unless they are able to do some exporting to the United States.

I would also suggest that both they and a number of our business enterprises in the United States are learning more about how to work together in a way that is useful both from their standpoint and from ours. The extent to which these activities can help U.S. industries better compete with the Far East, for example, it is to the mutual advantage of the United States and the Caribbean and Latin American countries that we cooperate.

Senator EVANS. Do you feel you have adequate interchange and influence with those in the administration who are dealing with the whole trade issue so that the advice, whatever it is, from your point of view on trade restrictions, import restrictions to these developing nations is heard and responded to?

Mr. INK. I believe that we have a good audience in the administration. I am not sure we are as effective in dealing with the Congress on the issue of protectionism.

Senator EVANS. Well, I just wanted to make sure you had you act well together before you had to deal with this body.

Mr. INK. Yes.

Senator EVANS. Let me speak to one specific product. You mentioned sugar in your initial comments or it may have been in Secretary Abrams' comments. We are so far out of the marketplace on sugar that I do not know if we will ever get back. If I were one of those countries I would not look to sugar as my best and safest investment for the future, and yet they are.

They are producing sugar. It is a current commodity. Are you prepared to make any specific recommendations along the lines that were suggested here: Essentially to reduce the quotas for some of the developed nations and that would be primarily Australia and Canada to expanded sugar allocations to these developing countries.

Mr. INK. My main recommendation would be that we not move so far and so fast in reducing the quotas, because it is extremely difficult for these countries to adjust and adapt to such a radical change. We are working with these countries to diversify. There are a number of projects in the Caribbean in particular in which the land is being diverted from sugar to other crops, but that cannot be done overnight.

Senator EVANS. I understand.

Mr. INK. There is no way that these countries can make the kind of adjustment that somehow we expect them to do through these drastic cuts in the quotas.

Senator EVANS. I guess that is what I was trying to get at.

Secretary ABRAMS. We will have a proposal on sugar this year that is an official administration proposal on how to change U.S. law regarding sugar, but it is really a double, now becoming a triple whammy. I mean, we are cutting aid levels and we are cutting sugar quotas, and in some cases there is a fear of protectionism cutting their ability to export, so it's murder for a country like the Dominican Republic.

Mr. INK. In a number of instances, Senator Evans, the language of the legislation has not hurt as much as the uncertainty as to what is coming next.

Senator EVANS. I am concerned that we have all of these individual foreign policy and economic policy considerations as they relate to these countries for example, the combination of sugar quotas and trade protectionism. On top of that we add all of the other things we would like them to do to live up to our views of democratic institutions. Are we not placing an almost impossible burden on them and giving them virtually no chance to ever plan ahead for their economic future?

General GALVIN. Senator, that is precisely what happened in Guatemala here just a few weeks ago. After the Guatemala military had supported the government of President Cervezo, it turned over the government and had gone back to the fighting the 2,500 guerrillas up in the Petang and so forth. We did not manage to provide any military assistance for them for that first year and for the second year, and this year when we came up with $5 million for them unfortunately for us what occurred, was that for Guatemala, at the same time, almost the same day, came the announcement that they would lose $14 million because of the drop in the sugar quota.

Senator **Evans**. The fact that that is happening indicates to me that perhaps we are not coordinating our policies toward individual nations or regions of the world and I do not necessarily see this as the administrator's fault alone. I think that sometimes both Congress and the administration do not look carefully enough at adding it all up and seeing what the whole picture will produce for these countries.

Secretary **Abrams**. Let me just say, Senator, I think that is exactly right, and in fact what we are doing on sugar and what we are doing in CBI are directly contradictory to each other, and their impact in the Caribbean.

Mr. **Ink**. And it is not only a problem from an economic sense, but I think it undercuts the strength of this country in the eyes of the world. It weakens our influence. I think it makes us look as though we do not quite know what we are doing when we approach these countries with conflicting policies. I would argue that we need to give more attention, to how the activities, the economic growth in the countries to our south, our neighbors, can be—and now is becoming—useful to American industry in competing with other parts of the world.

Senator **Evans**. I see my time is up, Mr. Chairman. I wonder if I could ask Secretary Abrams for the record to tell us what he thinks would be appropriate changes in the law or our policymaking process or what we can do either from the congressional level or perhaps what can be done better administratively to minimize this problem of such conflicting policies. If there are things we can do congressionally that make it more likely to have an integrated program, we ought to consider them.

[The information referred to follows:]

Sugar: The current U.S. support program sets a loan rate of 18¢/lb. for U.S. sugar production; the legislation further requires that the program be administered at no cost to the U.S. Government. The high domestic price for sugar (currently about two and one-half times the world price) has caused a shift by industrial users from sugar to corn sweeteners, while also encouraging an expansion of domestic sugar production. As a result, U.S. imports of sugar have been cut from over 4 million tons in 1981 (prior to enactment of the support programs) to 1 million tons in 1987; imports are likely to disappear entirely after 1990.

The administration recognizes that the drastic reduction in earnings from sugar exports are disrupting the economies of friendly sugar supplying countries such as the Dominican Republic. As a short-term remedy, the administration is providing additional assistance to the Dominican Republic and other low-income sugar supplying countries in the form of agricultural commodities under Section 416 of the Agriculture Act of 1949. For the long run, the administration believes that we must address the fundamental problems of the U.S. sugar support program and is developing a legislative proposal to reform that program.

Other specific examples of conflicting U.S. policies relate to the Caribbean Basin Initiative. The Caribbean Basin Economic Recovery Act was passed by Congress in 1983 to encourage exports by the countries of this region, thereby creating growth and jobs, and establishing the preconditions for political and social stability. However, three recent amendments significantly constrain this program:

—Ethanol (Section 423 of the Tax Reform Act of 1986): This provision changes the rules of origin in the original CBI legislation (which establish a minimum local content of 35 percent) and thus restricts the benefits of the program for ethanol. For this product to remain duty-free under the CBI program, the Caribbean Basin content of the ethanol-feedstock must be gradually increased to a minimum of 5 percent over a 3-year period.

—Tourism (Section 101(b) of the fiscal year 1987 continuing resolution): This provision requires that resources available to the U.S. Travel and Tourism Administration within the Department of Commerce is to be directed to promoting travel only to the United States and its possessions, and not for policy studies or technical assistance to promote travel to any other destination. This provision apparently was prompted by a recent study completed by USTTA which suggested ways for the CBI countries to derive more economic benefit from tourism.

—AID Assistance to CBI Exports (Section 101(f) of the fiscal year 1987 continuing resolution; Sections 558 and 559 of the general provisions relating to AID): These two provisions restrict AID from funding activities related to exports of agricultural commodities, or import-sensitive articles, which would compete with similar U.S. production. This was in addition to longstanding AID policy, instituted in response to congressional concerns, which limits financing of projects involving sugar, palm oil or citrus.

Finally, some trade-related bills have been introduced (but not enacted as of this writing) which could have a profound negative impact on many developing countries, including some of critical strategic and political importance to us, such as Mexico and the Caribbean Basin. The most important example is the Textile and Apparel Trade Bill of 1987 which would set extremely restrictive quotas on our imports of textiles, apparel, and shoes from all countries. Imposition of quotas, particularly with growth rates of 1 percent or less annually, would have a particularly negative impact on those countries (such as the Dominican Republic, Haiti, and Jamaica) which have just begun to develop their industries in these sectors.

Senator DODD. Thank you. Mr. Evans.

Senator Pell, do you have any questions?

The CHAIRMAN. First, in connection with Ecuador, which has suffered such grievous damage, what are we doing to help them. And what percentage of the total external help will come from the United States?

Secretary ABRAMS. What the Vice President on Sunday promised President Febres is really two things. One was continuation of our disaster relief, of our immediate response, and in particular, the building of bridges, which are crucial to rebuilding a road and oil pipeline.

The other was our help in getting the incredible amount of resources they need, $1 billion, from the Inter-American Development Bank, World Bank, IMF, and the commercial banks in terms of a rescheduling of the $500 million they would otherwise owe this year.

So it will be a facilitative role, rather than a role which essentially produces money from U.S. taxpayers.

The CHAIRMAN. But if pressed further, what would be the percentage, not counting the multilateral sources, the percentage of aid that would come from the United States for Ecuador?

Secretary ABRAMS. I don't know what other countries are giving with one exception, which is an extraordinary and very welcome soft loan, I believe it could be described, as $50 million from Japan.

The CHAIRMAN. Maybe you could submit the answer to that for the record.

Secretary ABRAMS. OK.

The CHAIRMAN. My other question concerns El Salvador. It seems to me that unfortunately Duarte is gradually being squeezed from the right and the left.

How can this be resisted? Would you concur with me that if the tendency continues, the government will be seriously affected?

Secretary ABRAMS. Well, I think he is under—I think you are quite right that he is under very heavy pressure from the extreme right and the extreme left. And an example of it is on occasion when he has put into effect economic reform or austerity proposals, that both the extreme left and the extreme right react very violently against it. And you see all the rightwing newspapers, for example, condemning it in very strong language the next day.

I don't think I would go so far as to say that this is ultimately destabilizing of his government. What it does is, I think it reduces significantly the political space he has to undertake—well, to undertake anything, to undertake political and economic reforms.

What can be done about it, I think, is for one thing, the continuing provision of what we would view as high but justified aid levels from the United States, and strong political support, bipartisan political support for him, to make it clear to both the far left and far right that we believe in a constitutional government in El Salvador, and that we are supporting the elected president.

[The information referred to follows:]

ASSISTANCE TO ECUADOR

1. EARTHQUAKE ASSISTANCE

Donations from third countries and organizations: (The U.S. Embassy in Quito has obtained the following figures from the Foreign Ministry's Disaster Coordinating Committee in Quito.)	
Cash	$5,000,000
Food (387 tons pledged)	50,000
Medicine, est. value	208,000
Tents (1561, est. value	300,000
Transportation (14 supply flights), est. value	250,000
Subtotal	5,808,000
Donations pledged or delivered from United States	
Through A.I.D.'s Office of Foreign Disaster Assistance:	
Supplies, transportation, and expert assistance	408,000
Bridging materials to reopen road transportation to disaster area (70,000 pop.)	3,000,000
Services of two helicopters loaned from Southern Command 10 days x $800 day x 2 aircraft, up to March 26 (services continuing)	16,000
Private donations from United States	500,000
Subtotal	3,924,000
Total	9,732,000

U.S. assistance is approximately 40 percent of that furnished to date.

NOTE: Above does not include the value of the services to be performed by the "Blazing Trails" military roadbuilding exercise to be carried out in the disaster area May-Oct. 1987 by U.S. reservists jointly with Ecuadorean military engineers.

2. FOREIGN ASSISTANCE

According to the USAID mission in Quito, in 1986 Ecuador received the following amounts of assistance:	
World Bank & IDB	$287,000,000
U.S. bilateral aid	64,000,000
Other bilateral aid	28,000,000
Total	379,000,000

Since 25 percent of World Bank and IDB funding came from USG, equal to about $72 million, total U.S. assistance for that year was $136 million or about 36 percent.

The **CHAIRMAN**. Thank you very much. Thank you, Mr. Chairman.

Senator **DODD**. Thank you. Senator Trible.

Senator Trible. Mr. Chairman, I'm sorry I wasn't here for the testimony of our witnesses this morning. The Select Committee on Iran arms sale was meeting, and I was there.

I would not propose at this point to ask questions about general economic or military matters, Mr. Chairman. But if appropriate, I would like Mr. Abrams to respond to an issue that's now before us, and that is the question of drug activities in Latin America, and how we respond to the presentations now proceeding apace.

Senator Dodd. Could I ask you this? I announced at the outset that what I thought I'd try to do is deal with the general aid questions first, and then, once we've completed that, and I think we should fairly soon, then deal with the narcotics questions, and specifically, the resolutions and certifications that have been introduced by Senator Kerry and Senator Helms.

So deal with it in that fashion, rather than interrupt the general flow of the aid questions, if that's all right with you.

Senator Trible. All right. I would not propose to ask questions of a general nature at this point. I hate to yield my time, but I will do so to expedite the proceedings.

Senator Dodd. I thank you for that very much.

Senator Helms.

Senator Helms. I think I'll wait also, Mr. Chairman. And thank you for your forbearance. I think they have a computer over in the bowels of the Capitol somewhere that cranks up at 6 a.m. to see how they can schedule us for two committee meetings at the same time.

I had to take care of an agriculture committee meeting, and so did Dick Lugar.

I don't have any questions. But I will say, Mr. Ink, that Senator Dodd and I were just wondering if early on you had red hair?

Mr. Ink. I had hair so far back I can't remember the color.

Senator Helms. We were theorizing what your nickname would be if you had red hair?

Mr. Ink. Yes. That might have been what my nickname was in those days.

Senator Helms. Mr. Chairman, I have no questions.

Senator Dodd. Mr. Ink, I don't have any questions for you at this moment either.

I wonder if I might, General Galvin, get from your shop an analysis of the relative merits of the Mystere and the KAFIR versus the F-5E that is now being proposed for sale.

And I also understand that there was an analysis that was done for the Honduran Government on the F-5E, and I wonder if that might be made available to the committee as well.

I don't know what the classification of that is, but whatever it is, we will honor of course and respect that classification and deal with it appropriately.

General Galvin. I will get that. We did an analysis of the Mystere also to find that it couldn't go—it's life couldn't last much longer.

Senator Dodd. Fine. That would be helpful to the committee if we could have that information.

General Galvin. I will provide that, Mr. Chairman.

Senator Dodd. I thank you for that.

On the sugar question, Mr. Secretary, let me come back to that. It's but one element that Senator Evans has raised, and obviously, you need to think of these things in the larger context, but as you note, the Dominican Republic just recently has announced that it's going to be selling sugar to the Soviet Union.

That's the first time for them. We've seen the quotas dropping, I think by some 60 percent since 1985, if I'm not mistaken.

And the 1987 quota is approximately 800,000 tons less than the 1986 levels, and this represents a loss of some $300 million in foreign exchange revenues for quota holders.

Now we're going to be very limited. I have a suspicion that in the budget committee, when we start dealing with this overall foreign assistance budget, I don't need to tell any of you at this table what it's like. We still have a serious problem in terms of people's understanding of the importance of this country being involved in worldwide aid programs, military assistance programs, and the like.

But when it comes to cutting, this is one of the easiest places people can go to politically. Now it's hard enough as it is to deal with these issues, but when we have a $300 million loss, just based on sugar alone, and now you take a country like the Dominican Republic, which has been a strong ally of ours, has gone through the democratic process of electing and reelecting its leaders, and now is going to have an economic relationship with the Soviet Union based, I presume, solely on the fact they cannot rely or depend any longer on U.S. markets, not to mention consumer interests that are affected by this.

Now Senator Evans asked what we might do at this side, and I'd like to second that request, to know what we can do to help. But what does the administration intend to do as well? What efforts are you going to take to try to redress this particular situation, where we find that kind of lost revenue to these countries, all of whom by the way are struggling economically, without exception.

Secretary ABRAMS. Well, we had, of course, strongly opposed the sugar legislation and tried to defeat it here on the Hill, and we lost.

And we will this year be proposing new sugar legislation, let me put it that way, to change the whole nature of the sugar legislation.

Senator DODD. Well, is there anything that can be done by Executive order, for instance, with the Dominican Republic? Does the executive branch have that power?

So there is an arrangement there already. Obviously Cuba has its arrangement with the Soviet Union. A country like the Dominican Republic doesn't have anyone with whom to deal specifically?

Secretary ABRAMS. No. I am told by the USTR people that some of the things that we've considered doing, like moving quotas from one country to another, may be GATT violations, and that's one of the things that's constrained us.

Senator DODD. But that's not a final determination, that's just an assessment that's been made?

Mr. ABRAMS. I think that's an assessment. I don't know that we have a final legal judgment on it. But that is, I think it's fair to say, the USGR view that you have a real serious GATT problem.

Senator **Dodd**. Could I make that request of you, if you will, from the subcommittee, to inquire as to whether or not by Executive order some arrangement could be made specifically with the Dominican Republic?

[The information referred to follows:]

Sugar quotas are set by Presidential proclamation and Executive order. The administration has allocated the sugar quotas according to each supplying country's historical market share of U.S. sugar imports. This is consistent with our obligations under the GATT. Allocating a preferentially larger quota share to the Dominican Republic could only be done at the expense of other suppliers. The administration realizes that reduced earnings from sugar exports are disrupting the economies of the poorer sugar suppliers such as the Dominican Republic and has offered compensation in the form of agricultural commodities under Section 416 of the Agriculture Act of 1949.

The administration believes that in order to help the Dominican Republic and other low-income sugar exporters we need to address the fundamental problems of the United States sugar support program and make it more market-oriented. The administration is developing a legislative proposal in this regard.

Over the long run, however, the prospects for the world sugar market are not very bright, and the Dominican Republic cannot expect sugar to play the dynamic role in the economy that it has played in the past. Accordingly, United States assistance to the Dominican Republic stresses the importance of agricultural diversification, both to meet domestic food consumption needs and to provide new sources of foreign exchange. It is also important, in the short run, that we provide adequate ESF assistance to the Dominican Republic to enable the country to cope with its balance-of-payments difficulties without undue hardship to its people.

Mr. **Ink**. Could I add one comment, Mr. Chairman?

Senator **Dodd**. Certainly, Mr. Ink.

Mr. **Ink**. Although we'd much prefer that this quota cut never happened, because I think it was a serious mistake for a lot of reasons, I would hope that our request for some additional funds in the Dominican Republic could be seriously considered by the Congress.

Unfortunately, we're talking about fiscal year 1988, and that doesn't help them much at the present time. But the quota impact is something which is going to last more than just this year. Because as you have pointed out very rightly, this is a very serious problem for a strong ally of ours who has been trying to undertake the kind of economic measures that we think make sense in a democracy.

Senator **Dodd**. And also as you point out, exports from the Caribbean Basin countries have dropped 23 percent to the United States. Now that includes all exports to this country. And obviously most of those countries do not have sugar-based economies.

What specifically is the administration advocating be done in that area?

Secretary **Abrams**. Well, I think one has to be careful with that data. The real reason that the dollar amounts have dropped is sugar and oil. It is not nonsugar, nonoil exports which in fact are up over that period.

In this sense, the CBI is working quite well. Nontraditional exports from the Caribbean are increasing significantly.

Mr. **Ink**. About 14 percent per year over the last 3 years.

Secretary **Abrams**. I think the answer there is that we would like to protect the CBI and perhaps even expand the CBI, so as to encourage further developments in that direction.

Senator DODD. Well, you got a quote recently from the Prime Minister of Barbados Erol Barrow and I quote him. He says: "The CBI has brought no visible benefits to my country. It was a device by the United States to get money to El Salvador." That's his quote.

Others are not as critical, I would point out as well. That's the most critical comment.

Secretary ABRAMS. I went to the Dominican Republic recently with a codelegation from House Ways and Means led by Chairman Pickle, and I must say, there was extraordinary enthusiasm in the Dominican Republic for the benefits that CBI had brought them.

I think it tends to bring benefits to larger islands rather than smaller ones; that's one problem with it.

But I would have to disagree with the statement that there is no increase in nontraditional exports from Barbados.

Senator DODD. And obviously you disagree with the statement by Prime Minister Barrow?

Secretary ABRAMS. Yes, sir.

Mr. INK. I would join in disagreeing. I think it is important to remember that this is a 12-year program. We are in the early years of it, and it will take time.

For example, the fact that nontraditional exports are increasing very substantially is extremely significant. But what is much more significant, as that trend increases, is that the nontraditional becomes a higher percentage of the total exports.

That is when the impact of this will be much more readily seen.

We're finding, Mr. Chairman, that the use of the free zones in the Caribbean is increasing. The factory shells that we have provided in different Caribbean countries, the help we've given to setting up the free zones, in most instances are moving beyond expectations, beyond predictions.

We think that is a very encouraging sign. And keep in mind that of course this is against the backdrop of generally low world prices.

Senator DODD. I would also point out that in your report on page 204, that you submitted for this year, and I quote from it, it says: "With United States support 1988 could be a year of strong economic recovery and growth in the Caribbean if traditional commodity prices are relatively favorable." That's the essential.

Mr. INK. Yes. Traditional commodity prices are very important, Mr. Chairman. Later on, in future years, however, that will be less significant as a higher portion of their exports are nontraditional.

Secretary ABRAMS. And if, for example, there were the 14-percent growth in nontraditional exports were to carry on throughout the remaining 8 years of CBI, at the end of that 12-year period, the percentage of total exports from the Caribbean that is in the old exports like sugar would have diminished significantly, and that is, in fact, the purpose of CBI, or a key purpose, to move from traditional exports into a much more varied export mix.

Senator DODD. And your assessment is, that it is progressing well?

Secretary ABRAMS. Well, I think I wouldn't put it very strongly. I would say it is helping. Is CBI making a positive impact? In the larger islands, I think the answer—such as the Dominican Republic and Jamaica; Costa Rica to some extent as well—it is clearly yes, I would say.

Mr. **Ink**. The nontraditional exports in Central America have increased about the same amount. I think we're talking roughly 15 percent.

So it's not just the islands, but also in much of Central America.

Senator **Dodd**. Mr. Secretary, if I could, I'd like to get your comment on the Baker plan. The external debt issue, obviously, is a staggering one. There's some $360 billion in external debt by 12 countries, most of whom are in our hemisphere.

The Baker plan and the Bradley plan have been discussed before this committee. I wonder if you would give us your assessment of how well the Baker plan is functioning, given the announcements by Brazil and Ecuador. I don't know if there have been any formal announcements by Costa Rica and others that find themselves so economically strapped that they can't afford to make their interest payments at all.

Secretary **Abrams**. Well, the purpose of the Baker plan was to arrange for about $30 billion in additional lending to the debtors. That's almost exactly what's happened. That is, that if you look at the total Latin American debt, it's up about $28 to $29 billion. That is not a long-run solution to the debt problem.

Additional debt can't be the long-run solution to the debt problem. Growth is the long-run solution, and I think the question one really has to ask is, as we asked at the beginning of the Baker plan, What tools are available to promote forms of debt relief and economic reform that will provide for economic growth?

Because I think we are clear on one thing. Austerity cannot be the answer to this problem. The only real answer to it has to be economic growth.

But I think one has to say that the stated purpose of the Baker plan, which is to arrange for additional lending, has been met.

Senator **Dodd**. No, I, by the way, am one who supports the general thrust of the Baker plan. I'm not a critic of it. But when I hear these and read, as we've all seen, the announcement by these various countries, I begin to wonder if there's not a failing in it.

Secretary **Abrams**. I think one has to separate Ecuador, let me just say, because the Ecuadorians, this is not really a decision on their part not to repay the loan. They just don't have it.

Senator **Dodd**. I think every country that I cited has that same basic position: They just don't have.

Secretary **Abrams**. Well, but it isn't the same. Ecuador has just lost its oil exports in 6 minutes one day, and therefore, has no way of earning the foreign exchange to pay.

Other countries are saying that if they pay, the impact domestically is just horrendous. But in the case of Ecuador, they just don't have it. There's no decision to be made.

Mr. **Ink**. About half of their export earnings were suddenly lost in an area that had already dropped tremendously, because of the drop in oil prices.

Secretary **Abrams**. Ecuador has actually been fairly orthodox in handling the debt.

Senator **Dodd**. So your conclusion is the Baker plan is working?

Secretary **Abrams**. My conclusion is that the Baker plan is succeeding in meeting the goals which it initially stated, which were to get additional lending and further economic reforms within the debtor countries.

Senator **Dodd**. Senator Lugar.

Senator **Lugar**. Mr. Chairman, I simply want to commend the witnesses for their statements, and the very important documentation accompanying the administration request.

Let me make just two comments. First of all, I was appreciative of your statement, Secretary Abrams, that the 10th Pan American Games would be in Indianapolis in August.

And we have been preparing, along with the Department and with various agencies of the Government, for what we think will be a very significant meeting of 20 nations and their nationals in the heartland of our country.

We appreciate the fact also that the Secretary of the Treasury, Mr. Baker, will be in Indianapolis in mid-June for an economic conference in which many of the players in the debt debate will come together. We're hoping that will be a very constructive aspect of this "Year of the Americas" that you have cited.

Let me make a further comment from the standpoint of the Agriculture Committee. The sugar discussion, which is an important one, did occur both during the markup of the agriculture bill, as well as the conference with the House committee.

I tried to make the point, as did others, that that bill would have a very severe effect on our foreign policy. It has had that severe effect.

I would just say in your defense, there is not much you can do about it. The Congress made a judgment, and members of this committee either voted for protection for U.S. sugargrowers, or they didn't.

The fact is that we've made a national determination that everybody producing beet sugar and cane sugar should be protected; every single one of them, regardless of how much money is to be involved and whatever the expense to our foreign policy.

American consumers are paying 20 cents a pound essentially for this sugar. And the argument is made that there is no cost to the Federal Government, and essentially that's correct, because consumers are paying 14 cents for every single pound of it.

So consumers in the United States have not awakened to this. The foreign policy situation finally brings it home to us in a very severe fashion.

I would just say simply that until the Agriculture Committee and the Congress decide to change their minds in protecting every single pound of sugar, whatever the origin in the country, we're going to have a very severe dilemma with regard to that particular crop, whether it be there or in the Philippines.

Let me just ask, for sake of illustration, how the proposals the administration makes this year would work in specific countries.

Mention has been made in your testimony, Mr. Abrams, of Guatemala, and the progress of that country in building its democratic institutions. And I note specifically that $80 million is requested for Guatemala in ESF programs to help the government address the basic socioeconomic inequalities that have helped feed the insurgency, and $7 million in MAP money which would be used to improve the ground and air mobility of the Guatemala forces.

In the past, as I recall, these items at least in their proportions have been substantially different. How did you arrive at $80 million for Guatemala, in ESF funds, and only $7 million for MAP, and to what extent does President Cerezo personally support such assistance going to the armed forces at this particular point?

Secretary **Abrams**. When President Cerezo was—if I remember the timing correctly—elected but not yet inaugurated, he came to Washington. And we told him then that we would be responsive to his demands, his requests, for military assistance; not to those of the Guatemalan military.

And he said, "Well, I'm going to take a look at it. I'm not President yet, and it's going to take me some time to figure it out."

He has now come forward with a request for military aid, and in fact, it's higher than what we're budgeting.

He was disappointed—I'm looking for the figure here for military assistance for 1987 was $2 million in MAP, and President Cerezo thought that was an inadequate amount and wanted more, but we didn't have it.

And I think he would probably find $5 million an inadequate amount too, because they do have an insurgency in Guatemala, and they went through many, many years of getting no military aid, so they don't have much to build against in terms of resources from the past.

Now, maybe I can let Mr. Ink speak to the question of ESF. Under the general policy guideline that we're increasing the aid from nothing that Guatemala got at the time that it was a military dictatorship, it was $12.5 million in the year that Cerezo took over, and it was immediately quadrupled to $50 million, and has been going up ever since in an effort to support partly his economic policy, which is a good economic policy of internal economic reforms, and partly, to demonstrate our support for this new democracy.

Mr. **Ink**. I would say that we have seen in Guatemala one of the very best examples since President Cerezo came into office of a country moving forward in the right way to deal with its economic problems.

I would like to mention, Senator Lugar, that I think that the economic support funds have been extremely useful to him in that respect.

I think it may not be widely known the extent to which the economic support funds provide an opportunity for leaders to cushion the problems caused by austerity measures.

It provides an opportunity for us to enter into a very important and serious dialog with these countries with respect to how we can best work together in areas that will enable them to attack their economic problems, reduce their deficits, improve their tax systems, simplify administration of taxes; and remove whole series of impediments that exist in so many of these countries for private development, for private investment, for exports.

There are a whole series of areas, Senator Lugar, in which the economic support funds provide opportunities. Most of the countries take advantage of it, but few take advantage as effectively as President Cerezo.

Senator LUGAR. Thank you very much. I would mention, as you'll recall Mr. Ink, that we saw each other at the time of the election In Guatemala.

Mr. INK. Yes.

Senator LUGAR. Both of you have commented publicly that the administration of President Cerezo has been a remarkable success, that he is a very courageous individual who I might add has been assisted by our Government in the past.

I know you, Mr. Abrams, have had many ties with him when things were not going so well in the past.

When he came to this committee just after his election he made a comment that still sticks with me to the effect that he thought he had maybe one-third of the power in the country at that point; the other two-thirds was residual elsewhere, with the military, with powerful business groups, maybe with others that were undefined. And it would be some time before he could consolidate this power.

He asked us to be very thoughtful about the authorization of money under those conditions, until he was certain that he was in a position to request it and to control it. And this is why I press for your own judgments as to the degree to which he feels confident of his relationship with the military, and therefore the buildup that may very well be warranted on military grounds.

General GALVIN. I'd like to also comment, Senator. That point in time when President Cerezo was looking at the military then and recognizing that indeed the government had been turned over by the military, but what did it really mean?

I think we all have to remember that if you are a major in the Guatemalan army today, you weren't born at the time Guatemala had its previous democracy.

So all those young officers have grown up in an autocratic environment.

There has been an extensive series of seminars conducted by the armed forces senior leadership themselves, in the role of the military in a democracy and which all those officers have attended.

There's been very strong support on the part of the military for Cerezo, and I believe we have a stability there that will continue.

Senator LUGAR. That is very encouraging. Let me just reference Costa Rica's ESF situation. There you do not have the military problem, but rather economic problems that are substantial. But the strength of that democracy, with elections regularly every 4 years, is really critically important to our relationship with Central America.

I will not have time in this hearing to interview you about Honduras and El Salvador, but I would emphasize that the relationship of the civilian government to the military and the assignment of ESF funds to them are very important.

Thank you, Mr. Chairman.

Senator DODD. Let me ask my colleagues, if I can, whether or not anyone has additional questions on the broader economic or military assistance questions for the entire hemisphere at this point.

[No response.]

Senator **Dodd**. If not, I would like to move to the questions involving the three resolutions that were before the committee yesterday, as I mentioned earlier, because we do apparently have a vote at noon.

I have a couple of additional questions I would like to come back to. But certainly I would request that all members be allowed to submit some questions in writing. I know, for instance, Senator Bob Graham of Florida has some very specific questions he would like to have submitted for the record, I presume to you, Mr. Secretary, but they may actually include questions that would be more appropriately referred to Mr. Ink or General Galvin, and you can make the decision on whom ought to best have those questions answered or to whom those questions should be submitted.

If there are not any additional questions, I would like to move, if we could, to those resolutions. As I understand it, there are some people from the administration who are present with us this morning who are prepared to discuss in some detail the criteria that were used in order to make the certifications.

And if those people are present, why do they not come and sit, if you would, at the witness table and introduce yourselves so that we can have your names for the record.

And I know, General Galvin, you have an interest in this as well, and Panama is one of the countries. So why do you not stay with us. You may have some comments you would like to make as well on this.

Would our two new arrivals please introduce themselves.

STATEMENT OF STEPHEN TROTT, DEPARTMENT OF JUSTICE

Mr. **Trott**. Good morning, Mr. Chairman. My name is Stephen Trott from the U.S. Department of Justice.

Senator **Dodd**. Stephen Trott, T-r-o-t-t?

Mr. **Trott**. Yes.

STATEMENT OF ANNE WROBLESKI, ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL NARCOTICS MATTERS

Senator **Dodd**. How do you spell your last mame?

Ms. **Wrobleski**. W-r-o-b-l-e-s-k-i.

Senator **Dodd**. Thank you.

I am going to turn, if I can, to our chairman of the full committee, because I know of your time constraints, Mr. Chairman. Why do you not lead off if you could.

The **Chairman**. Thank you very much. Thank you, Senator Dodd, for permitting your hearing to be widened in this way.

But speaking from the full committee level, I think many of us are a little bit up in the air what the correct thing is to do, whether these governments involved, Panama, Mexico, and the Bahamas, are truly "fully cooperating," I think is the phrase, or not. And we really would be interested in the specific views you have.

Some of us believe that they are not. A good example is when one of our DEA men was murdered in Mexico; it did not indicate cooperation. On the other hand, I think in the Bahamas a case can be made on the other side.

So, I would really like to hear what they have to say would be the effect of the passage of these resolutions and what their views are.

Senator **Dodd**. All right. Why do you not begin.

Secretary **Abrams**. Maybe I could make just a general statement.

Senator **Dodd**. Fine.

Secretary **Abrams**. And ask others to supplement it.

The effect of a decertification, I think, is relatively clear in almost any country. It will infuriate the government of that country. It will feel itself accused, not of a failure to cooperate fully, but of a failure to cooperate at all.

It will feel itself accused of collusion in drug trafficking. And it is very likely to mean that there will be a significant reduction in the amount of cooperation we are getting on drugs.

It is very hard for us in making these certifications even to figure out exactly what Congress meant. Yesterday I tried to look at the legislative history. Of course, there is not any legislative history of what "cooperate fully" means.

If it means that you have got to be, on a scale of 0 to 100, you have got to get 100 or you fail the test, that is a 99 is a failing grade, then we are all in a great deal of trouble, because such an interpretation of the legislation will destroy our programs to work with other governments to suppress trafficking in drugs, especially when you consider that the bill was passed so late in the year that there is hardly any time to assess what happened after it.

In a number of cases, for example, there have been actions even in 1987. So I would just make the general comment that if the committee gives this language the interpretation that, as I would put it, a 99 is a failing grade, then we are going to have a very significant interference with our drug control and interdiction programs with governments, which in all three cases mentioned in these resolutions are doing a tremendous amount by way of cooperation with us.

Ms. **Wrobleski**. Mr. Chairman, if I may address the process——

Senator **Dodd**. You have got to speak right into that microphone so we can hear you.

Ms. **Wrobleski**. If I may address the process and the way that the Department, as well as the entire narcotics community in Washington, viewed that process, you gave us, as Secretary Abrams has said, an opportunity late in the year, to certify or decertify March 1. I view it as an up-or-down vote. There was no in between.

We then, as we prepared our report—and it is my bureau's annual report which is the basis for these certifications—as we prepared the report, which we do on an interagency basis—it is the State Department, the Department of Justice, DEA, FBI, across the board, everyone who has a piece of the narcotics pie sat through the meetings.

And let me say that we concurred as a group on the certification, and that is why that report went forward to the President, the recommendations went forward the way that they did. There was not disagreement among the community.

But again, you gave us legislation late in the year, which we welcomed. We viewed a certification process as useful leverage. I can point to five or six individual cases where, between the time that the legislation was passed and today, we can see concrete, solid progress because of the certification process.

But again, did they cooperate, did they not cooperate? In our best judgment—and I want to stress that these were 24 individual decisions; this was not a question where we set aside some folks and did not examine them. We went through a full country analysis to make every single one of these decisions.

In our best judgment, yes, they cooperated. And that was the recommendation that went forward to the President. We would be happy to discuss the individual sanctions. But I wanted to explain the way that we approached the process.

The CHAIRMAN. To refine the process a little bit further, what in your judgment constitutes, as the law says, to "cooperate fully"?

Ms. WROBLESKI. Senator, that is the question that we wrestled with. There is previous legislative history out of the Hawkins-Gilman amendment in 1983 which speaks to the issue of variability: Has the country cooperated to the best of its economic, political, social climatic ability to do so?

Clearly, some countries are at a further stage of progress than others in narcotics control. But I think the key issue has to be in terms of cooperation, not success but cooperation; what did we ask them to do jointly with us that they did not do.

That means look across the range of things, and it was on the basis of those kinds of decisions that we made our decision. It is not just eradication, it is not just interdiction. It is not just the adequacy of legal measures.

It has got to be across the board and how much could they do and did they do it.

The CHAIRMAN. What would be the opinion of Secretary Abrams on this? Would you concur?

Secretary ABRAMS. I do concur with that.

An Ambassador from a Western Hemisphere country came to me yesterday and made an interesting point, which was, if we define "cooperate fully" to mean that there is no drug trafficking any more, that it is fully interdicted and fully eradicated, that every possible thing is being done, everything, then it is unlikely that any of the 50 states are cooperating fully.

There is drug trafficking in a lot of the States, drug movement in and out. How many Governors are there about whom you can say that they are doing everything that they could possibly do against drug consumption? They could not do one thing more? If that is what "cooperate fully" means, then it is difficult to see any of us meeting that.

So I do concur.

The CHAIRMAN. I have here, Mr. Abrams, a memorandum prepared by a member of our staff with some specific points made in it. I will not burden the committee with them at this time, but could I turn this over to you and ask you really, before this comes up for a vote—that means in the course of this afternoon—if you could put a task force on it and give us back some specific reactions and rebuttals.

Secretary ABRAMS. Sure.

The CHAIRMAN. That means by the close of business today.

Senator DODD. Would you like to comment at all, Mr. Trott?

Mr. TROTT. Yes, Senator. Thank you for this opportunity.

I appear today both as a representative of the Justice Department and as the chairman of the Coordinating Group for the National Drug Enforcement Policy Board, which is an oversight group that is chaired by the Attorney General to make sure that on interagency matters things are carefully coordinated.

And I can underscore what Ms. Wrobleski said about the fact that we have examined these matters very carefully in that context. And in order to try to present you with some useful factual detailed information, I spent the greater part of last evening on a long-distance call with the DEA management, who is currently in Brazil at an IDEC conference, International Drug Enforcement Control Conference.

And I went through the countries piece by piece to find out in some detail exactly what we can report to you in terms of what this cooperation is. And may I begin by stating that we, as well as the State Department support this legislation, because we think it is important that all countries cooperate and cooperate fully, whatever that means, in this battle in which we are all engaged against drug trafficking.

And in my discussions last night, let me report to you what DEA reports to me regarding, first of all, the Bahamas. I asked about the Bahamas and DEA told me that actually at this point the Bahamas have agreed to everything that we have asked for.

And to give you a quote: "There is nothing else to request that they have not agreed to." I am talking now about interdiction, because, as everybody in this group knows, there is not really a cultivation problem in the Bahamas. It is a question of interdicting drugs, primarily coming up from South America.

So they underscored that and said that——

Senator DODD. Who are you quoting on this?

Mr. TROTT. This is DEA officials down in South America.

Senator DODD. That deal specifically with the Bahamas?

Mr. TROTT. Yes, absolutely. This is high-level management.

They say that agreements have been forthcoming from the Bahamian Government with respect to all interdiction missions that have been asked for and there is nothing else to request.

It was reported to me, another quote, that "The only limitation right now is the extent to which we can get hardware and people down there to work in joint interdiction missions with the Bahamian Government and Bahamian officials."

They have cooperated with respect to the placement of radars, and right now the program is very, very strong. And Operation Hat Trick, which is an interdiction program—Coast Guard, Customs, DEA, military and the State Department—everything appears to be working quite smoothly.

They are concerned that a decertification at this point would be both inappropriate and an unnecessary slap in the face, and could be a definite step backward when you view it in terms selfishly of our own interests in combating drugs coming into the United States.

DEA reported to me last night that they believe this interdiction program is now effective. It is stopping drug trafficking. It is displacing drug trafficking, and they would hate to see us do anything that would work against this.

In another arena, for some time we have had a problem in the Bahamas in terms of financial information, bank records and all the rest. The Bahamas has been a traditional secrecy jurisdiction and, as you well know, drug trafficking, as is the case with most crime, is now an international or a global phenomenon.

Our agencies, in order to be effective, in order to protect and enforce the laws that you pass, have to be able to reach out as effectively to foreign countries for information as they do within the continental United States. In order to do this, the old way was through something called "letters rogatory," which is a very slow process where one judicial system asks for voluntary cooperation from another judicial system. It is very slow, it is very inefficient, and frequently it does not work at all.

We have been pursuing programmatically since the beginning of this decade a new way of doing that in terms of bilateral agreements that function as treaties between countries in order to make available to our law enforcement agencies tactical information in foreign jurisdictions.

With that as a backdrop, we have now in the last couple of months a signed—put it this way, an initialed mutual legal assistance treaty with the Bahamas. The Bahamas have invited the Attorney General to go down to participate in the signing of this treaty, and they tell us that the internal legislation that is necessary to make it fully effective ought to be forthcoming within a very few months.

We believe in this respect that we are on the verge of a possible breakthrough with respect to our ability to get financial information out of the Bahamas, and as you all know financial information is a very large part of the important game of narcotics, of combating narcotics traffic, because it is not just a question of following the drugs. You have to also be able to follow the money and follow the financial trail to find out who is really behind some of these large cartels and international organizations.

So I can report to you, as I can in all these cases—and I certainly would not try to claim that there is no room for improvement. There is room for improvement everywhere, including in the United States.

But I can report to you on the basis of my conversations last night with DEA that they are fully satisfied with what is going on in the Bahamas.

If I may turn briefly, then, to Panama and if I can click off some areas. First, cultivation, something about which we are concerned and ought to be concerned. DEA reports to me that the primary cultivation in Panama has been of marijuana, but that the Panamanian Government has been extremely aggressive in attacking that problem. They indicated to me that they have used herbicides and they are very vigorous and that the agency is satisfied with the cultivation program.

In terms of being able to get drug traffickers from Panama, they tell me—and the word that they used was "superb" in terms of Panamanians' past cooperation in expelling drug traffickers.

Mr. Westrake told me that the Panamanians have given them 100 percent of their requests in terms of drug traffickers that they are looking for, and he says the numbers go up every year.

Chemcon, which is a very aggressive program that was designed to identify precursor chemicals that go into the production primarily of cocaine. When this program came onto our scope a number of years ago, DEA tells me that Panama was extraordinarily aggressive in finding where ether was in Panama and going after it and seizing it and in destroying it.

They also tell me recently that another precursor chemical, called potassium permanganate, was the subject of a 3,000-kilo seizure in Panama, which they identified as very, very positive.

One of the most serious problems that we have had with Panama over the years has been our inability to get from Panama financial information, as I mentioned before, a key element in combating drug trafficking. Panama, as you might know, is the fourth largest banking center in the world. They have very stringent domestic bank secrecy laws that up until recently have prevented us from obtaining the type of information that we have asked for and that we need.

Panama came to us early last fall, the Panamanian attorney general, who is a relative newcomer in terms of not having been on the job for years, came to us last fall, along with the Ambassador from Panama, and pledged that they would change their domestic legislation in Panama in order to begin to make available financial information and records relating to drug trafficking and money laundering.

As a matter of fact, the pledge was so strong that I frankly did not believe it at the time because, having dealt with Congress here in the United States, I could hardly believe that the Panamanians could tell us what they would produce from their legislature and when.

But I have to sit here and tell you that they produced exactly what they told us they were going to produce, and they produced it on schedule. For the first time now, there is an open window on financial information.

Now, we have had very serious discussions with the Panamanians for some period of time now since that legislation to determine exactly what it means, and my deputy met with the Panamanian attorney general down in Florida a short time ago and we have worked out now a schedule to engage in bilateral talks with Panama to take that legislation one step further.

And we believe right now that the Panamanians are more than willing, as a matter of fact aggressively willing, to sit down with us, and we have the paperwork in process right now to work out a bilateral agreement whereby, when we identify financial information and bank account information that we need, we will be able to get that.

Now, as in the case of everything, the proof of the pudding is always in the eating, and that is on the stove right now. But we think we are on the threshold of a possible breakthrough with Panama.

So I must tell you that we are concerned that any resolution of this sort could jeopardize that extremely important initiative, because as we go around the world, as we have done now for years, to try to identify bank secrecy jurisdictions and break them open, such as in the Turks and Cacaos, Netherland Antilles, and the Cayman Islands, in Switzerland and all the rest, you have a displacement factor.

And when you arrive at an agreement, as we did in the Cayman Islands, to open up financial information to us, the crooks who were looking for secrecy jurisdictions go someplace else. So we realize that in order to be fully successful across the board we have to be successful in every venue, and if one venue remains closed to us that of course is the venue to which the drug traffickers and other criminals will go with their dirty money.

I am by nature an optimist, but right now I see more than just fog and mist. I see an attorney general from Panama who I can tell you has called me more than 10 times in the last 4 months asking us to go down to Panama just as quickly as we can, to sit down at the table and to hammer out the agreements that we think are necessary to attack this financial information.

As I said, we have that paperwork up and running, and I expect within the next couple of months that we will be at the table. Now, this is a dramatic change. I have met with previous attorneys general from Panama over the years since I have been in Washington since 1983. The last attorney general indicated that they were interested. We gave him a copy of a possible bilateral agreement. They went back to Panama and it evaporated.

We had a couple of other meetings with previous people down from Panama and nothing was generated. But I can tell you that the flavor now is tremendously different.

So I think that in that regard—and DEA again reports to me that they are very pleased with the cooperation they have with the Panamanian Government, and they again would identify a decertification as a potential problem in terms of what our interests are to continue to work with foreign countries, to stand shoulder to shoulder to attack drug trafficking.

Then I asked them about the situation in Mexico, and DEA again started by saying we have an awful lot of things going on in Mexico that we can identify as positive, and we believe that a decertification might set some of those back. First I can tell you that DEA continues to operate efficiently in Mexico, notwithstanding some of the terrible problems that we have had involving some of our agents.

There has been some question as to the vigorousness of the Mexican Government in pursuing those investigations. The attorney general when he first came into office, if I can give you some background, started a very, very aggressive bilateral relationship with the attorney general of Mexico, Mr. Garcia Ramirez.

We have had many, many meetings between the attorney generals of the two countries and the functionaries of the attorneys general's offices in order to pursue the type of cooperation that I know each of you wishes and which is essential to this country.

And we can tell you that at the leadership level in Mexico—and I am now talking about the president and the high-level officials that we work with in the attorney general's office down there—that we have complete confidence in them. These are fine people who are dedicated to working against drug trafficking which, as you can imagine, is an enormously complex and challenging problem in that country.

But the budget, for example, of the attorney general's office in Mexico has been doubled, at a time of very strict fiscal problems in that country. They have instituted all kinds of programs to try to upgrade the salary levels of people working against drug trafficking in Mexico, in order to try to combat corruption, No. 1, and create a professional cadre, No. 2.

So we believe that we are dealing with people who can be dealt with successfully along these lines.

The eradication program has been, frankly, somewhat up and down, but progress, distinct progress, has been made. We now have in place with the Mexicans in terms of the eradication program a verification component that we are very satisfied with.

When we have gone to the Mexican Government in our bilateral meetings and talked to them, they sit seriously at the table and they participate as partners in attempting to do things about drug trafficking.

I might also indicate that up until about 1 year ago our requests to the Mexican Government for a mutual legal assistance treaty to again pursue financial information were met with the statement that it simply was not possible. However, Garcia Ramirez and Attorney General Meese agreed a number of months ago that the time had come for a change, and the Mexicans have agreed to a mutual legal assistance treaty.

Right now the draft is down there. We see no problem, and we fully anticipate a distinct possibility before the summer of arriving at a mutual legal assistance treaty with Mexico that again is a major breakthrough.

The last time Garcia Ramirez was here, he and I talked about the complexity of getting that through the Mexican Government. It is no more complex than getting it through our form of government. It has to be negotiated, it has to come to Congress, it has to go through all the hurdles. And I firmly believe that he at the helm of that initiative in Mexico is doing everything he can to have it adopted by the country.

Again, I am an optimist, but I think we may be looking at something very good. We have considerable programs now with the Mexican Government to combat drug trafficking. You have all probably heard of Operation Alliance. It is a program that is in the process of being installed along our Southwest border to prevent drugs from coming up from South America.

One of the reasons, I might indicate, why it is so important is because of the aggressive activity in the Bahamas, which seems to have displaced some of the drug trafficking to other places, and of course Mexico has been a victim of that displacement.

I was told last night by DEA that the Mexican Government on their side of the border is beginning to cooperate with Operation Alliance in interdiction efforts that are designed to attempt to stop the flow of drugs across the border.

I guess I am taking an awful long time to give you some facts and details. I have many more which I could share with you. And again, I can simply repeat that I am not here to tell you that there is no room for improvement. I am not here to tell you that everything is perfect and there are not some difficulties.

But I am here to tell you that there are strong shafts of light in every one of these three countries. Again, before I end, I can tell you that the Mexican criminal justice system is distinctly different from ours. They do not have the kinds of trials that we are used to in the United States.

Senator TRIBLE. It is quite different than ours.

Mr. TROTT. It is extremely different. It is a system that derives from the French approach, and what happens down there is there is the equivalent of a preliminary hearing, during which evidence is presented to government officials and a decision is made whether the evidence is sufficient to hold somebody in custody.

What then happens is that effectively a presumption of guilt attaches, and there is then a year or so of procedures that are mostly handled by paper, by the filing of documents to a judge, at the end of which there is essentially what amounts to a confirmation of the presumption of guilt and then a sentencing.

As far as I know, they have in the vicinity of 70 people in the Camarena case in progress, I should say in process. We talk to the Mexican Government every time we go down there and every time they come up here about the Camarena case, because we as you—and I can underscore for you the concern of DEA in this case—are extremely interested in making sure that justice prevails.

We continue to be assured by the Mexican Government that the processes that they use are moving forward, that they foresee no difficulties, and that the people that they have in process are moving toward sentencing.

When we complain it is taking a long time, they remind us that during their extradition of Arturo Moreno Duraso to Mexico our processes took 2 years to deliver to them a fugitive that they were after.

We will not be satisfied in either Camarena or Cortez or any other case until justice is done. But I must be honest and tell you that I do not see anything in the processes down there that lead me to believe that there is irregularities in these cases. The slowness, the differences, depend on their system as compared to ours.

Thank you.

Senator HELMS. Thank you very much, Mr. Chairman.

I find myself thinking of Eddie Zorinsky. If there ever was a Member of the Senate who was more determined to do everything he could to rid us of this scourge of drug trafficking, it was Senator Zorinsky. And I find myself wishing he were here.

I think you've got a problem. Maybe it's just semantical or maybe it's whether you're going to obey the law as written.

Now what does the law say about the certification?

Mr. TROTT. Senator, with your permission, I'd defer to the State Department.

Senator HELMS. No, you've made all the comments. I'd just like for you to tell me what the law says.

Mr. TROTT. I can't quote it to you off the top of my head. I believe it calls for full cooperation.

Senator HELMS. Well, it says "full cooperation."

Mr. TROTT. Yes.

Senator **Helms**. That doesn't mean pretty good cooperation, or encouraging cooperation; that means full cooperation.

If that's not what the Congress intended, the Congress ought to change the law.

Furthermore, the law is not prospective. I ask Mr. Abrams if it doesn't refer to the past 12 months.

Secretary **Abrams**. Yes.

Senator **Helms**. Of course it does. Third, I'm interested in this telephone conversation on the eve of these hearings. I wish we could have had some information a week or two ago, but you didn't—it was on the eve of these hearings.

By the way, was that a secure phone you were on?

Mr. **Trott**. The conversation took three times as long as it ordinarily would have because we spoke in very confusing codes.

Senator **Helms**. So you're telling me it was a secure conversation?

Mr. **Trott**. It was not a secure conversation, but it was discussed in codes that would have been almost impossible to decipher unless you knew us?

Senator **Helms**. Pigeon English or whatever?

Mr. **Trott**. Well, we talked about places near where Leon lives and things like that. And we understood each other.

Senator **Helms**. I'm wondering how you got here by 11 o'clock this morning, if you had to go that round about.

But we are confronted with what we are going to enforce in terms of the law, not the law as we wish it were.

Now if we want to take "full cooperation" out of there, or the word "full', that's fine.

Mr. **Trott**. Senator, I'm certainly not here to quibble with you about the law. We enforce the law and we respect your ideas which are in the law.

I'm just trying to give you what I know as to the facts.

Senator **Helms**. I'm just raising the other side of it.

By the way, General Noriega, is still in charge in Panama, is he?

Mr. **Trott**. I'm sorry, I didn't hear you?

Senator **Helms**. Mr. Noriega, hasn't departed from Panama, has he?

Mr. **Trott**. I believe he's still there.

Senator **Helms**. I remember that a prominent critic of the role of the Panamanian Government in drug trafficking, Dr. Hugo Spadafora, was brutally beheaded and murdered for threatening to divulge information about Panama's role in narcotics. So I'll believe that Panama is cooperating when I see it.

But if the State Department wants to certify Mexico and Bahamas and Panama, I think that we are obliged as a legislative body to go by the law; not what you wish it would be.

Now we conducted three hearings on Panama in the past 12 months and five hearings on Mexico. Maybe these hearings ought to have nudged them along to clean up their act. But we were criticized severely for holding these hearings. I'll show you my clippings from the Mexican and Panamanian newspapers in that regard.

Now have you consulted the Customs Service on this?

Mr. **Trott**. No, I was not able to consult with them last night.

Senator **Helms**. Well, is there some reason why somebody couldn't have consulted with the Customs Service, since there was time to consult with DEA?

Ms. **Wrobleski**. Senator, if I may answer that, in the process of putting together our annual report which formed the basis——

Senator **Helms**. I'm sorry, would you pull the mike a little closer. You have such a soft, lovely voice.

Ms. **Wrobleski**. The process of pulling together the report the State Department prepares, which is the basis on which the certification was moved forward to the President, is an interagency process which Customs participates in as well as main Treasury. Coast Guard, as well as main Transportation; DEA and FBI, as well as main Justice, as well as the State Department.

And that interagency process I would certainly interpret to mean that we had signoffs from the other agencies. In fact, I have twice briefed the National Drug Policy Board, which is the Cabinet-level board that Mr. Trott referred to earlier, once on February 19 and again on February 26 to discuss the certification process, as we began to pull together the certifications to meet the March 1 deadline, and second, when they met last week, so I could inform them that the certifications had moved forward.

And as I said earlier, there was no disagreement on the certifications as the recommendation went to the President.

Senator **Helms**. So you are saying that the Customs Service was in agreement with this?

Ms. **Wrobleski**. Yes, sir.

Senator **Helms**. That Willy Von Rabb does agree that all these countries should have been certified as "fully cooperating"?

Ms. **Wrobleski**. To the best of my understanding, Customs as well as main Treasury cleared on the report, as well as the certification.

Senator **Helms**. Well, that's very interesting.

Yesterday, the CIA provided classified information to the Senate Intelligence Committee, requested by Senator Pell and me about the narcotics situation in Mexico. I would hope that all Senators would go up and read that.

Of course I can't discuss it here today.

Since March 2, every Senator has had available to him or to her, the 371-page State Department report on drug certification. Furthermore, we had a hearing here last week presided over by the distinguished Senator from North Carolina, Mr. Sanford, and there were only two Senators who availed themselves of the opportunity to ask the administration questions.

I guess what I'm trying to say is, if you want to certify Mexico, betting on the come, as a poker player would say, then let's say so.

But I don't understand this use of the English language. Who was it, Humpty Dumpty in Lewis Carroll's "Through the Looking Glass." He said, "When I use a word it means precisely what I intend it to mean, nothing more and nothing less," or something of that kind.

But my great fear, Mr. Chairman, is that the train left the station awhile ago in terms of the 30 days, and I'm not sure that Senators will have time or will take time to examine all of this.

7

Now, it's not that I don't believe everything you said. But I've gone pretty deeply into how Panama operates, and I don't care what DEA says to you. The head man in Panama is still Mr. Noriega.

You can have all of these assurances and all the rest of it until the certification occurs, and then it's back to business as usual.

And I just wish we had more time to examine all the facets of this. Frankly, I'm concerned about the situation.

Thank you, Mr. Chairman.

Senator **Dodd**. Thank you, Senator Helms.

Senator Kerry.

Senator **Kerry**. Thank you, Mr. Chairman.

I share with the distinguished Senator from North Carolina this feeling that we're really not dealing with what the law says. And I'm concerned, Mr. Secretary, that in your comments earlier about the definition, there wasn't much stated and there wasn't a lot of debate, et cetera. And that the test is really, what did we ask them to do, and what did they not do that we asked them.

I don't agree with that. The law is really very clear. It says in very few words—we wrote it to be very clear—that during the previous year the country has cooperated fully with the United States—it doesn't say better than last year, more than, it says fully. Which I interpret to mean, if we ask them to do something reasonable, they're really cooperating. There's not an unwillingness to proceed forward. "* * * or has taken adequate steps of its own." Now, we did set out language that described some of that.

We said, in making the certification required by paragraph 2 of this subsection, the President shall give foremost consideration to whether the actions of the country have resulted in the maximum reduction in illicit drug production or transfer determined to be achievable pursuant to subsection (e).

Now subsection (e) requires that you set out an amount by which you believe they can reduce in that year. Now, whether or not they met that is one issue.

Second, "has taken the legal and law enforcement measures to enforce in its territory to the maximum extent possible, the elimination * * *" and it goes into cultivation, et cetera. But with respect to the Bahamas, certainly, it refers to trafficking, moving through its country; and the arrest and prosecution of violators involved in the traffic in such drugs and substances significantly affecting the United States.

B, has taken the legal and law enforcement steps necessary to eliminate, to the maximum extent possible, the laundering in that country of drug-related profits or drug-related moneys.

And finally, the willingness of such government to enter into mutual legal assistance agreements with the United States governing money laundering and trafficking.

Now, those are four very clear criteria that we're supposed to consider. Now, on the face of it, Ms. Wrobleski, in your own testimony to the subcommittee about a week ago, when you were asked by Senator Sanford who was chairing it at the time about the Bahamas, your answer to him about the difficult problem it faced was, quote, line 24, page 16:

We've had some measure of cooperation.

That's what you said. You didn't say "fully," or "they've been terrific," or "wonderful." You said, "some measure." And you discussed the OPBAT program and some of the difficulties you had.

Then you said on page 17, "We've had some progress with them on overflights." "Some" doesn't sound to me like a lot; doesn't sound like it's moving in the full direction.

And then you said, "I think we need to have more work with them on this; we need to move forward more."

In addition, I think finally, you said about the indictment of Bahamanian nationals, et cetera, and so on, you responded, "We have a case pending against a gentleman named Nigel Bowe. We've had an extradition request in for the last 18 months on Nigel Bowe. The progress on Nigel Bowe is slow."

So by your own statement, that is another problem.

Then when you talked to Senator Sanford about decertification, what would be needed to decertify, you said on page 18, line 20: "I would think if we found that corruption got in the way of our cooperation," for instance, and then you cited some other things.

Well, I would suggest to you very respectfully that it doesn't take an enormous glance at what's happening there to uncover corruption in the police process, in the court system.

And there are a lot of witnesses, and a lot of people, who can and will testify to that.

And I would respectfully suggest to you that it does get in the way of what we're trying to do. And the question has to be asked, "Why Nigel Bowe hasn't been extradited?"

Now, in the State Department's own report accompanying the certification, the State Department I think listed some 10 items that leapt out at me that, if you're grading, I don't know what grade you give to follow the Secretary's thing, but if you deduct five points for a problem, you're getting down to a failing grade.

The first problem, as the State Department said, they've been very slow in effectively—quote, the State Department: "The government has been slow in effectively addressing the recommendations contained in a report of 1984 by the Royal Commission in order to deal with the problem internally."

Now that is directly contrary to the language of the law that I read, requiring their maximum effort with respect to implementation internally of a legal process, et cetera.

Again, on the first page, the Bahamas remains the primary drug pipeline. Well, that seems to contradict the notion of a specific reduction in level; maybe not. We can quibble about that one. But there are bigger ones than that.

Bahamaians are increasingly involved in the transit trade. That seems to show that they're not reducing their involvement, but increasing it. If "increase" means increase, and that's what the State Department said.

Item four, bank secrecy laws make it very difficult to track the transfers of those cash deposits. That goes to the issue of the money laundering and the efforts they're taking with respect to that.

Item five talks about how the Minister of National Security Mr. Roker himself has criticized the problem of the courts, particularly, their ability to be able to hold people accountable. That seems to me contrary to the section requiring their maximum effort.

Item six, they did deny our installation of a temporary ground radar. We requested something; they didn't do it. So there's one of the items that we asked for they wouldn't do. I don't know why. It seems pretty simple, straightforward.

Item seven, there was no progress—this is your language, the State Department—there was no progress on the signature of a draft mutual legal assistance treaty.

Secretary ABRAMS. It's been initialed. The Government of the Bahamas requested that we sign. They have been ready to sign it.

Senator KERRY. Well, why do you say no progress.

Mr. TROTT. This has just happened within the last couple of weeks.

Senator KERRY. When did this happen? Last couple days?

Mr. TROTT. Couple weeks, 10 days ago. And they've made a request that the Attorney General come down and sign it, and they're ready to go.

Senator KERRY. It was done right after the report; correct?

Mr. TROTT. I can't give you the precise sequence, Senator.

Ms. WROBLESKI. Senator, if I could speak to what I think your larger issue here is——

Senator KERRY. If you can just let me finish the final one.

Ms. WROBLESKI. Yes, sir.

Senator KERRY. Because I think it all goes to this question of amount and totality and what we're doing here.

And that goes into the extraditions. None of them have taken place; Nigel Bowe most critical. And I don't want to go into all the details here. I don't want to throw out a lot of names, et cetera. You all are familiar with them; I'm familiar with them.

But it seems to me that we're really dancing around something here. People are talking about this creating a negative impact on their efforts.

How can our efforts to uphold our law to restrict the flow of drugs into our country, if they are truly cooperating, how can our holding them accountable to those standards create a negative impression if they're serious about it?

What are they going to do? Go back to practices as usual? Is that their dedication to this effort.

Secretary ABRAMS. I think we're both itching to get at that question. But I will defer to my colleague.

Ms. WROBLESKI. Thank you. Senator, I think you're dealing with the issue that we spent 6 to 8 weeks, again, as a community as well in the Department, of dealing with.

Clearly the law sets out three areas. One is eradication, reducing the crop. The second is adequate legal measures. And the third is looking at the money laundering issue.

But I think that you need to look at the totality of our programs, our joint programs, particularly with the Bahamas. Mr. Trott's rendition of the view that DEA has I think is shared by Customs, is shared by Coast Guard, is shared by the State Department.

We get excellent cooperation—and here again we hit the issue of variability—is 9 out of 10 certification? Is 8 out of 10?

Again, when we're placed in the position of making an up-or-down vote, I think you put us in the position of taking, again, close to a passing grade.

The other point that I would make, though, and it's one I think that you've explored, is that we use the INSCR report to set markers for the next year. Granted, it is a document mandated by Congress. It's a very useful tool, though, outside of these halls.

And there is a section in every country chapter which speaks to plans, programs, and timetables for the next year. We use that report the same way that we use a certification process, to set out what we hope to see in the next year.

What you've given us with this certification process, and again, I think once we have a full 12 months to exercise it, is the weight of congressional sanctions behind the markers that we set down.

Coming into it 10 months late in the year, I grant you, was probably not as useful as it would have been if we'd done it the year before.

But again, we've got the report this year, and we will use it. On defining "fully cooperative," I'm willing to take any suggestions from the committee that would be more satisfying to you.

Senator **Kerry**. I understand that. And I'm not trying to be at all unreasonable about the concept of "fully." But it seems to me that a reasonable standard about what "fully" means is frustrated by a literal reading of the law. Now maybe as the Senator from North Carolina has suggested, maybe we have to change the law. I don't know.

But I've got to tell you, I'm hearing different things.

Senator **Dodd**. Could I interrupt the Senator for a second, please?

We've got a vote on, 15 minutes. And what I'd like to do—the Senator's 10 minutes have expired—I'd like to ask that we keep this going. If Members would delay their voting or go early, they can come back and continue this.

And what I would do in this particular case is, Senator Lugar, proceed if you want to at this point.

Senator **Lugar**. I have no question.

Senator **Dodd**. I don't.

Senator **Kerry**. Could I just finish the one——

Senator **Dodd**. If you would, though, just in fairness to these other people, I just want to make sure we keep it——

Senator **Kerry**. Let me just throw out what I'm saying to you when I say that I'm hearing different things. This is a quote in a newspaper article saying, with respect to Nigel Bowe: "The case is stagnated. Frustrated Federal law enforcement officials said that the U.S. State Department in the Bahamas is not pushing the extradition."

"As far as I'm concerned, one of the most notorious figures in international drug dealing is Nigel Bowe. He's down there thumbing his nose at us," said an assistant U.S. attorney, and his name is in here; I'll leave it out for now, but his name is in the paper.

Senator **Dodd**. John, could I interrupt for one second.

Senator Kassebaum cannot come back.

Senator **Kerry**. I'll go vote and try to come back.

Senator DODD. I apologize, but——

Senator KASSEBAUM. Thank you, Mr. Chairman.

I'm not sure that this is the panel particularly to ask, because I think we're all somewhat in agreement.

What concerns me is that we're under expedited procedures on a very important issue, which, when we talk about cutting off 50 percent of aid and voting against multilateral loans from the United States, and then to pick three countries out of a list of a number that have been certified for cooperating fully, or whatever determinations were made on the certification, I find troubling, and asked yesterday why the three that were picked—and there are just three that we have focused on here, and I think there have been real concerns about their drug trafficking; but there are others on that list as well.

And I suppose I'm speaking to the choir at this point. But to me, it's extremely troubling, the way we're handling this at this particular juncture. And I don't know if there is some way by which we could change this so it would not be an expedited procedure, so that we can have a little more time to examine fully what criteria there should be; an evaluation of all the countries that are listed.

Does anyone have a suggestion?

Ms. WROBLESKI. Senator, the Department has supported an amendment—Department's legislative package; amendment would change focus from current year assistance to following year's assistance for countries not certified—which I would find useful. The reason why the timeclock is ticking is because one-half of this year's assistance is in suspense for these countries, pending your decision on confirming or disapproving the President's certifications.

Senator KASSEBAUM. No, I understand that.

Ms. WROBLESKI. Now, if instead of one-half of this year's assistance, we could talk about all of next year's assistance, which as you know would give us until at least October 1, I think we would find that useful.

Again, we like to keep the process expedited. But it's the time pressure of suspending one-half of the assistance, and most of it gets spent on or before March 1—or appropriated—or obligated by then, and that's the reason why we're so close to the deadline here, and that's the reason that Senator Lugar, when the legislation was proposed, set a 30-day time limit to it.

Senator KASSEBAUM. I guess what I'm asking at this point is, Can we amend it though at this particular juncture to change that?

Ms. WROBLESKI. Today?

Secretary ABRAMS. Well, I think the answer is, You could pass legislation today that would change the law. The trouble is, I guess, you've only got a few days to do it in.

But you could certainly pass legislation that could—you know, the aid for the second half of the fiscal year; it will be available April 1, it will not all be obligated on April 1. So you have plenty of time to act in April.

Mr. INK. If I could add to that, actually we have more than 50 percent at stake. Because in Panama, for example, out of the total amount, only a fraction has been obligated.

And as I understand it—well, we've obligated less than $2 million, as I understand this action, if it took place as of now, it would withhold about $17 million.

So the consequences, I think, are rather dramatic.

Ms. **Wrobleski**. Also, my rough count of the 19 countries that were certified by the President, my rough addition was in the neighborhood of a half a billion dollars which has basically been sequestered and cannot be spent.

In some places, as Mr. Ink has mentioned, that money is urgently needed for ongoing programs, the legislation coming after that money was appropriated.

Secretary **Abrams**. You have the right, Senator, of course, to cut off aid to any country at any time.

So were you, for example, to review one of these countries and decide that a majority viewed it as a country that had not been certified, then you could simply cut off aid on May 15, or something.

And that opportunity always exists.

Senator **Kassebaum**. Well, I think we all share concerns about the enormity of the problem, how best to cooperate with each other on solving it.

And there have been hearings, I did not attend the subcommittee hearing the other day, unfortunately, because I think it behooves those of us on the committee to be able to recommend to the Senators on the floor actions that we have given some careful attention to.

And it just concerns me on a matter that I think has significant consequences in the region that we don't have time to take a look at the full list, and somehow just pick three countries out of it.

Because, as I mentioned yesterday, just in the region, of course, there would be Colombia as one it seems to me would be a major country that needs to be addressed as well as others on the list.

And I just didn't know if there were any means by which at this juncture, rather than just voting up or down, we could change the process at this late date as part of an expedited procedure.

Mr. **Ink**. I wonder Mr. Chairman, if it would be useful if we had an opportunity to advise the committee of the kind of aid that would be affected by this cutoff.

In Mexico, for example, part of this program deals with the public awareness to try to help the Mexican leadership to build a constituency to support antinarcotics effort.

In Panama, there's a scholarship program.

The **Chairman** [presiding]. This information would be helpful, and if you submitted it to us, it would be great.

Senator **Kassebaum**. I have just one other. I assume it would be your assessment that as a matter of fact, if we cut off this aid, we as a matter of fact have cut off significant leverage in cooperating—leverage with them, let alone cooperation in solving the drug trafficking problem.

Secretary **Abrams**. It's our considered judgment that it would be counterproductive.

Ms. **Wrobleski**. Senator, the one example that I think might be useful is the Bolivian experience in the early 1980's. When assistance to Bolivia was stopped during the Garcia Mesa regime, which was clearly a drug trafficking government, we pulled our Ambassador out, we pulled out the military group; we greatly reduced the size of the Embassy; we came close to breaking relations; all aid stopped.

And we found that during the 2-year period that that regime was in power, the amount of acreage planted in coca skyrocketed. And again, we had no leverage.

I think that the sanctions process, the certification process, is useful leverage. I am less convinced that imposing the sanctions in any way reduces the crop; in any way increases interdiction; or in any way increases our mutual legal assistance.

Senator **Kassebaum**. Did you have anything, Senator Pell, or shall we just briefly recess until——

The **Chairman**. Well, just one point. The memorandum I sent over, the rebuttals, should be kept confidential, because there are some names in it.

And second, I would like to request a reply to my letter to you on March 3, to the Secretary, asking for certain information; I have not yet had an acknowledgment.

Because of the vote situation, the subcommittee will be recessed for a few moments.

[The information referred to appears in the appendix.]

[Recess.]

Senator **Dodd** [presiding]. The meeting will come to order.

Let me just announce what we are trying to do here with the program, and I will ask the Secretary. I think we still have a few more questions from members on the particular matter before us at this juncture, and then I know of at least two questions anyway that go back to the earlier subject matter.

The reason I progressed ahead is because I knew that, with this vote coming up and your own schedule, Mr. Secretary, and that of General Galvin and others, it would be very difficult to have you stay that long. So we will try and move this along.

My inclination would be to try and finish it up, rather than trying to take a recess and come back. Is that acceptable to you?

Secretary **Abrams**. I have got to be out of here about 1:15.

Senator **Dodd**. Well, we will move right along. And I would hope we will finish it up so that we do not have to carry over into later in the afternoon or tomorrow, because we have other hearings scheduled. So we will do our best to proceed as quickly as possible. We got away with it as long as possible this morning without any votes.

Let me ask, if I can, is Mr. Trott coming back as well?

Ms. **Wrobleski**. No, sir, I think he had to leave.

Senator **Dodd**. He is not coming back?

Ms. **Wrobleski**. No, sir, I do not believe so.

Senator **Dodd**. Well, let me ask you if I can, Ms. Wrobleski. There were no other countries which you had a negative recommendation on; is that correct? Or did you have any other? Did you have any other decertification recommendations?

Ms. **Wrobleski**. Yes, sir, we decertified three countries who, again on the pass/fail system, we judged not to be cooperating with the United States at all on narcotics control.

Senator **Dodd**. And those countries?

Ms. **Wrobleski**. Afghanistan, Syria, and Iran.

Two countries we set aside with a national interest waiver, Lebanon and Laos. Lebanon we get some cooperation, but in our judgment they do not control the major growing—the Government in Lebanon does not control the major growing areas, which is the Bekaa Valley.

In Laos, we do not get any cooperation, but it was the feeling across the board that the progress on the POW-MIA issue required that at least for the next 12 months we certify them under a national interest waiver.

Senator DODD. Were there any other Caribbean or Latin American countries that any of the agencies involved in this assessment recommended a decertification or noncertification?

Ms. WROBLESKI. No, sir, although to be candid there were some that went up to the week before we had to make a recommendation. One of those was Bolivia, where without a joint signature on a framework for cooperation we were not willing to press for certification.

I think that on the issue of Jamaica maybe and on the issue of Pakistan, where we have been pushing for herbicidal eradication of their respective crops, marijuana and opium, there was some argument about would they use the spray. In both cases they did, and in both cases then we as a community felt that we could certify progress there.

Senator DODD. And Bolivia, the decision on Bolivia went to the last week, you say?

Ms. WROBLESKI. Yes, sir. The United States-Bolivian agreement was signed February 25 and we moved the package actually, I think, February 27.

Senator DODD. Now, is it your assessment that, with regard to Mexico, we have received full cooperation in investigating and prosecuting the Camarena murder case?

Ms. WROBLESKI. Sir, I wish Mr. Trott were here to answer that question. That was one of the reasons we invited him to come with us this morning.

My reading of the Justice Department's view on Camarena as well as Cortez is that the prosecutions, while we consider them frustratingly slow, are moving I guess as quickly as can be expected in the Mexican judicial system. I have been present several times when the Attorney General, Attorney General Meese has spoken with the Mexican attorney general, and Mr. Meese has been satisfied with the assurances that he has received from the Mexican attorney general on those two cases.

Senator DODD. Let me direct this to General Galvin and Secretary Abrams. Obviously, there are other interests we have with these countries we are talking about here today. They have a very serious problem, obviously serious, one that has been addressed in countless forums and this institution over the last several years.

But I wonder if both of you might comment as to whether or not you perceive any adverse fallout as a result of these resolutions being adopted by the Congress in areas beyond the ones that we are dealing with specifically here?

Secretary ABRAMS. I think the answer to that is "Yes," Senator. I think that the attitude, if we just take these three governments, is going to be: If you wish to accuse us of being in league with the drug traffickers, which is what they are going to see this as, regardless of what it is legally—that is how they are going to see it—I think there is going to be, first of all, a halt or a reduction of narcotics cooperation.

I think on a wide range of foreign policy issues that is also true. If you just take Panama, we have enormous interests in the conduct of relations regarding the canal under the Panama canal Treaty, the presence of 10,000 U.S. servicemen in Panama, the operation of bases there.

If the tone of relations between the United States and the Government of Panama sours, immediately that will have an impact on the canal operation, I think, which we try to make as businesslike as possible, and on the United States military presence in Panama, which we try to make as smooth as possible.

I think you can see that with Mexico there are 10,000 areas of cooperation, from financial questions to immigration questions to questions of border environmental problems. And again, it is a question of what is the impact of this on the overall relationship.

I know that is not a legal test, but I think one can well ask—well, I think the answer to your question is it would just have a very deleterious impact in the drug area and outside the drug area.

General GALVIN. Mr. Chairman, I would like to answer with reference to Panama and Mexico. The Bahamas falls outside my area.

I agree with the Secretary that, in the example of Panama, that there has been a lot of cooperation in Panama. I am not an expert on what the cooperation is and the level it should be in order to be certified. But it appears to me that certification is warranted.

There is also future cooperation, especially in the financial areas, the banking. I think that so far we have seen that Panama and the Panama defense forces have worked very hard to eradicate drugs, but we have not been able to see what happens with the exchange of money. Financial transactions, if those are available—and it looks as if they are—are going to be extremely meaningful to us. So I think we should go ahead there.

In Mexico, I have less contact and I am less aware of the full reasons for either certification or noncertification. But it does appear to me from the military-to-military relationships with Mexico in the past 2 years that we have improved those, and that the immediate future looks better than it did before.

Senator DODD. Well, I am sure you are going to hear it in other places, but the administration's budget on the domestic front in this country calls for about a 50-percent reduction in drug education programs in the United States, despite all of the fanfare of last fall on the drug-related issues, with all the testing requests and everything else.

I am sure there are going to be those countries that are going to suggest that, while we seem to be anxious to do something with regard to their particular efforts, that our own budget priorities are such that we do not seem to want to commit as much of our resources as we have in previous years to this issue.

So I just make that as an editorial comment for your consideration.

Senator Pressler.

Senator **Pressler**. Yes. Let me ask about the matter of money laundering in Panama, something I understand has not been covered. If it has been covered—I am told it has not been.

But the Hearst newspapers recently reported that there has been a steady trend in the increase of cash flowing through Panamanian banks. Mr. Knute Royce, a reporter for Hearst, stated that this cash-flow is far in excess of Panama's needs.

He reported the legitimate need for cash in Panama to be about $100 million per year, the amount the Federal Reserve delivers to Panama. Yet the transfers from the Panamanian National Bank to the Federal Reserve have been staggering. And I have the numbers here, but I will not plow through them unless you want me to.

The question is—and I will address it to get each of your responses regarding Panama—Does this pattern suggest to you that large amounts of illegal cash are being laundered through Panamanian banks? And would this not be evidence that would affect certification?

Secretary **Abrams**. It is clear that large amounts of money go into Panama. It is a regional, indeed an international, banking center. It has a large banking sector in its industry which provides an awful lot of jobs.

In my own conversations with Panamanian officials, including President Delvalle about this, their response to our desire to get at drug money laundering has always been: That is fine; we are not in favor of Panama being used for drug money laundering; but we are in favor of having a major international banking industry, and we do not want you throwing out the baby with the bathwater.

So what they have done is now to pass at the very end of last year a law which will allow us, if it is enforced properly—and we do not have time yet to say whether it will, because we do not know yet, but if it is enforced properly, it will allow us to get at drug money laundering.

If the money that is going through is not related to drugs, then it is not immediately relevant. And what the Panamanians are saying is precisely that they do not want us destroying their banking industry.

For example, if that is money that results from tax evasion from people in 50 different countries, then it is not immediately relevant. And what they are trying to do is cooperate with us, or say they are trying to do, cooperate with us on drug money laundering and protect the existence of their banking industry.

Panama, you know, is a service economy. It is not an industrial economy. And this is a very important source of employment.

Senator **Pressler**. But when the amount increases from $100 million a year in 1980 to $250 million to, on up through 1984, $1.1 billion, to 1985, $1.4 billion, I rather doubt that their banking services have increased that much. Would you not rather doubt that?

Secretary **Abrams**. Well, I think, as I said, it could be drug money, and that is exactly why we said to the Panamanians: "We have got to get at this." And they have come back to us and said, "OK," and they have passed a new law which will allow us to get at it.

Senator **Pressler**. Do any of the others have any assessments of the huge amount of money?

Ms. **Wrobleski**. I think that as it relates to the certification process——

Senator **Pressler**. Pardon?

Ms. **Wrobleski**. I think that as it relates to the certification process, which I think is the issue, Assistant Secretary Abrams is exactly right. We want to understand—if a lot of that money is drug money, we want to get at it.

The Panamanians have come a long way in allowing us to do that. The legislation was passed December 29, again perhaps in response to the certification process, and we are anxious to test. I think we have got 12 or so cases that we want to test with the Panamanians.

I am not willing to speculate on that cash infusion, no.

Senator **Pressler**. But my understanding is that the certification law says that certification is based on the past 12 months, not on what is promised in the future.

Ms. **Wrobleski**. That is right.

Senator **Pressler**. It is your assessment and the assessment of our Government that that amount of cash is not drug money being laundered?

Secretary **Abrams**. Well, if it is, Senator, it seems to me that you cannot blame the Panamanian Government. That is, if a deposit comes in—drug money is laundered in Texas and we do not always blame the Governor of Texas for that. If private individuals are sending the money through, private banks, it seems to me the question we have a right to ask is: "Well, can we get some help out of the Government of Panama to find out about it?"

And the answer to that is, "Yes, we can get some help," apparently.

Senator **Pressler**. In my judgment, a lot of it is drug money. That would be my conclusion.

But what would be your judgment? Your best judgment is that the $1.2 billion last year was not drug money?

Secretary **Abrams**. No, I think it is a mixture of various forms of international financial transactions, some drug money, some tax evasion——

Senator **Pressler**. What part of it would you say is drug money?

Secretary **Abrams**. I have no way of guessing.

Senator **Pressler**. You have no—the U.S. Government has no assessment?

Secretary **Abrams**. I do not know. Maybe Treasury does, but I have no way of guessing.

Senator **Pressler**. Can you get for the record your best written assessment, from whatever Department of Government?

Secretary **Abrams**. We will go to Treasury and ask them.

[The information referred to follows:]

Question. How much of the estimated $1.5 billion that went into Panama last year was drug money?

Answer. Because of the illicit and clandestine nature of such transactions, we do not have a solid figure. However, we assume that narco traffickers, like legitimate bank customers, are attracted by Panama's status as a banking center, particularly Panama's geographically central location, the use of the United States dollar as local currency, exemption from local taxation on profits earned outside of Panama, and its bank secrecy law.

Senator **Pressler**. I would appreciate that.

Let us discuss the case of Col. Julian Melo. I understand that until a year or so ago he was the general secretary of the defense forces high command and a close friend and associate of the rulers of the country. What do you know about allegations that this colonel was involved in receiving $2 million for protection of narcotics operations in Panama?

Secretary **Abrams**. It is not a name that is familiar to me.

Ms. **Wrobleski**. It is not a name that is familiar to me, either, Senator.

Senator **Pressler**. I understand he was the general secretary of the defense forces high command. Maybe I am mispronouncing it. Julian Melo, that is not a name that means anything?

Ms. **Wrobleski**. No.

Secretary **Abrams**. It is not a name that I think I have ever heard.

Senator **Pressler**. I understand he was dismissed, but there was no charges brought.

Well, if you could submit for the record. I find it unusual—I understand it is a highly publicized case, and when we are discussing drugs in that part of the world.

General Galvin, have you heard of him?

General **Galvin**. I remember the Melo case and that is correct, he was found by the defense forces, I believe, as having been involved in drug transactions, and he was cashiered. What further was done I do not know.

Senator **Pressler**. He was—I understand he was dismissed, but no charges brought.

Would you for the record, Secretary Abrams and others, respond to that?

Secretary **Abrams**. Sure.

Senator **Pressler**. Because I think that is part of what we are——

Senator **Dodd**. Was he cashiered or transferred? I could not——

General **Galvin**. He was dismissed.

Senator **Dodd**. Dismissed.

General **Galvin**. He was dismissed from the service.

Senator **Pressler**. Thank you. I had some followup questions on him, but if nobody knows about him, why, I will not do it. I will ask them for the record.

[The information referred to follows:]

Question. What are your views on the case of Lieutenant Colonel Melo?

Answer. In May 1984 the Panama defense forces discovered a large cocaine processing laboratory under construction in a remote area of Darien Province adjoining Colombia—23 Colombian nationals were taken into custody and the laboratory was destroyed. The PDF videotaped the destruction of the lab and also gave DEA personnel a tour of the site to verify its destruction.

In June 1984 the PDF confiscated a huge shipment—several thousand barrels—of ether, acetone, and other precursor chemicals transmitting Panama's Colon Free Zone. These chemicals were also subsequently destroyed and the destruction documented by videotape.

On June 30, 1984, Lt. Col. Julian Melo Borbua was discharged from the Panama Defense Forces (PDF) for conduct unbecoming an officer. Chief of Staff Roberto Diaz Herrera ascribed the disciplinary action to improper dealings with narcotics traffickers. According to press accounts, Melo had accepted a large sum of money from drug traffickers who believed he would protect the cocaine lab and the ether shipment. However, there is no indication that he did anything to protect either of them.

On July 3 Lieutenant Colonel Melo was charged with conspiracy (maximum sentence: 3 years imprisonment). Panama's attorney general at the time, Isaac Chang Vega, stated that Lieutenant Colonel Melo and three private Panamanian citizens were under investigation for possible involvement with the precursor chemical case, but not with the case of the cocaine laboratory. Chang said Melo was not charged with any drug offense. (It should be noted that neither in the uncompleted laboratory nor in the precursor chemical shipment were any narcotics present.) Melo posted $5,000 bail to avoid incarceration.

To the best of our knowledge the conspiracy investigation of former Lieutenant Colonel Melo did not lead to prosecution. On November 2, 1984, Panama's First Circuit Judge granted Melo a "provisional stay." This judgment affords the Government of Panama the opportunity to recall Melo should additional evidence come to light warranting a reopening of the investigation. Without a detailed knowledge of the evidence uncovered by Attorney General Chang's investigation, it is not possible for us to say whether further proceedings against Melo would have been warranted.

Senator DODD. Thank you, Senator.

Senator Kerry.

Senator KERRY. Listening to both General Galvin and you, Mr. Secretary, with respect to the military and diplomatic and other concerns that you have articulated, which I suppose we are all sensitive here to, it seems to me that in the legislation we invited you to specifically take those into account and to certify on that basis.

Section 2 says that you could certify for a country that would not otherwise qualify for certification under subclause (i) if the vital interests of the United States require the provision of such interests. Everything you have said seems to fit under that clause.

Secretary ABRAMS. I only said it, Senator, because the chairman asked us to comment on it, not because it was the justification for the certification.

Senator KERRY. Well, so you do not agree that any of the problems I have raised amount to problems?

Secretary ABRAMS. No, where I guess we disagree is—and I think it is an important question—is what does "cooperate fully" mean. It is hard for us to believe that the committee meant perfection, because "fully" means "fully." "Fully" means that if there is one case where the——

Senator KERRY. I have already acknowledged we are not asking for perfection. But I have listed an awful lot of things.

Secretary ABRAMS. OK. Well, but to take an example, there is the question of the courts. Nigel Bowe. Nigel Bowe has hired himself a very expensive Queen's counsel from London to defend him and he is utilizing every procedural device possible in an independent court system not so dissimilar from ours, Anglo-Saxon system, to defend himself.

Now, we have an administration of justice program which has tried to help people to develop court systems like that, like ours, like the English system. And it seems to me, you know, we cannot have it both ways. He is entitled to the protection of those courts, too.

Do we want them to have a nonindependent judicial system? What is the government supposed to do, the executive, if an independent judiciary is slowing down procedurally?

Or even let us suppose—and I do not think it is true—but let us suppose in this case—it is certainly true in other cases in some countries—1 judge or 10 take bribes, or suppose in the case of Colombia a judge is threatened with death. Others have been killed. How do you treat that in the context of certification? It is tough, I think.

But it seems to me that the answer is not, "Well, if there is a judge who has," you know, "been corrupted or a judge who has been threatened," that that means that the government of that country is not cooperating fully.

Senator **Kerry**. I do not disagree with that at all, but I do not think any of those facts fit the case of Nigel Bowe, nor do many law enforcement officials in this country who have something to do with that case think that is true.

Secretary **Abrams**. I think that is not accurate. I think that the use of procedural—of a very good lawyer in independent courts——

Senator **Kerry**. Let me just say to you, I have quoted an assistant U.S. attorney who has something to do with the case. You tell me who says that is not accurate?

Secretary **Abrams**. The information that I have——

Senator **Kerry**. From who? Whose information?

Secretary **Abrams**. Information from the Caribbean desk of the Department.

Senator **Kerry**. Saying what?

Secretary **Abrams**. Saying that this is a case in which the——

Senator **Kerry**. Is this in cable form?

Secretary **Abrams**. It was given to me orally. There may be a cable behind it.

Senator **Kerry**. Well, as you know, the chairman has asked in his March 3 letter for all of that cable traffic to be put in front of us by March 15. It is now March 23. We have not even had a response from the State Department.

Secretary **Abrams**. I believe it is the legal advisor's office which is looking at the question of whether 9 years of cables, which I believe is the request, is a request which they wish to meet.

Senator **Kerry**. But do you not think—let me just suggest something. It said if you have any questions or you need a delay or something, please contact, it gave you a name. The Customs Department telephoned us and said: "We are getting it together."

We did not even hear from you folks.

Secretary **Abrams**. Well, I can only tell you the truth, Senator, which is that it is out of the hands of the Bureau of Inter-American Affairs. And I am not sure what the status of——

Senator **Kerry**. Well, I would like to see that, because I really think that there is discrepancy in terms of the perceptions of what is really happening. I can understand your interests or some people's interests in making the determination that you have made, but I think, you know—I mean, I do not have all the wealth of experience in the world, but I began in 1973 as an assistant DA and ran the largest county in the State of Massachusetts. And we put together a drug task force and tried to work with the Federal authorities and a lot of people that had some background in it.

I do not think we have begun to fight, frankly. And I am deeply distressed by the process by which we can qualify cooperation and people can put in a radar, have a small interdiction.

Interdiction interrupts maybe 10 percent of the flow. If you do not break the cartel, if you do not have prosecution, if you do not have extradition, you do not do anything. And it seems to me that until we get, we are not getting at it.

Now, that is what this law was passed to do. That is why we said "fully." And this Senator has just deep reservations about it. And you know, we have got Governors all over the country with Just Say No Programs. We have got the First Lady of the land talking about the importance of it. We have got more drugs on the streets of Miami than ever before, and the price is down because of that.

And I just think it is time that, if we are going to have certification, you know, let the chips fall where they may. What are the repercussions if we said to Panama, "You are not cooperating fully"? Is that going to threaten the integrity of the United States?

Are we suddenly going to be disadvantaged militarily in all of our relationships?

I will tell you where we are disadvantaged. We are disadvantaged with this junk coming into our country.

Secretary **Abrams**. I do not agree with that, Senator. I think it might well——

Senator **Kerry**. You do not agree that we are disadvantaged with——

Secretary **Abrams**. I do not agree in that I think that it might interfere with some very successful current programs that are being run in Panama to stop the use of Panama, for example, for drug trafficking, interdiction.

Senator **Kerry**. No, I was talking about—my focus has been principally on the Bahamas, as you have heard.

Secretary **Abrams**. All right.

Senator **Kerry**. I have not mentioned the word "Panama." But I am concerned about Panama.

Secretary **Abrams**. Take the Bahamas. The Bahamas constitute 700 islands in 100,000 square miles with a security force of 2,000. To ask miracles of them is not sensible legislation.

I would disagree with Assistant Secretary Wrobleski and Mr. Trott. I do not think this is sensible legislation. To come in in the 10th month of the year and do what is in fact in legal terms a bill of attainder about previous behavior, an ex post facto law, and then say, we want this done and it is cooperate fully and there is no definition, really, I would still say of what that means—and then I think we all know what is going to happen, which was that the administration would try to keep these programs going and then we would have a hearing at which witnesses would come up and get beat up in the Senate and the House—that is not a sensible legislative process.

Then we have a hearing which is scheduled 1 day before. We all scramble to get together. That is why Mr. Trott was on the phone late last night. It is not a sensible legislative process.

Senator **Dodd**. Let me just apologize. We had no way of doing it, because we have the Friday deadline on this. I felt we had no other way of getting any proper information. There was no record at all on any of this.

I would hope the administration might at least submit some thoughts on how we might modify that law, because I think that is going to be what is going to happen.

There is no constituency here for most of these countries, and you have an automatic vote on them. And again, I come back to the issue on foreign aid generally. To get a vote against some country is generally pretty easy if you want to cut foreign aid by 50 percent. And you do not have to have an expedited procedure. I will get you that one almost any day of the week.

If you want to save money someplace, that is the first place we are going to go.

So I would hope you might submit that as well.

[The information referred to appears in the appendix.]

Senator **Kerry**. Let me just say partly in response. We don't need to debate it obviously.

But while I hear what you're saying, you know, there are only 73 airstrips down there that are identified [illegible] airstrips potentially. If we can't close off 73 airstrips, something's wrong.

There are 110 small ports, so to speak. You know, 258 Marines got blown up in Lebanon. If we can't put 258 or more people into the effort to interdict this flow, then I don't think we've made the right requests. I don't think we've asked the Government to do enough.

And maybe we ought to be looking at the issue of whether "fully" involves that we're asking them enough.

But I just reiterate, I think by a reasonable standard measure of "fully," not looking for perfection, not 100 percent, maybe not even 90 percent, I think if you compare each section of the law with the certification process as described, and measure the standards of where they are, I think we have a right to be questioning, and to be deeply concerned about the level of response.

Now where that takes us may be subject to some negotiation and discussion, and we'll see. And I'm certainly willing to be open on that.

Thank you, Mr. Chairman.

Senator **Dodd**. Thank you.

Senator Trible.

Senator **Trible**. Mr. Chairman, I thank you.

Let me simply say that in regard to the standard, "cooperating fully," I don't believe there's really any ambiguity. It's a very clear statement of congressional intent.

The old standard was, "adequate cooperation." The new standard, "cooperating fully," is a tough one, no question about it. But it's a standard arrived at after discussion in Congress; made a part of a bill vigorously supported by this administration; a measure decisively passed by Congress.

The standard is not whether the recipient country was slightly better than the year before, or slightly better than a neighboring country, or that it's made marginal progress.

The question is very simple. Is the intended recipient of U.S. aid cooperating fully with our efforts on drug interdiction, drug eradication, and drug money laundering?

I helped shape that provision. The President signed it into law. So it should come as no surprise to the administration. But I think the State Department's own strategy reports indicates these countries have not met that standard.

It seems to me these countries were certified in spite of the findings of the strategy report, rather than because of it.

Now, I understand the practical problems that presents in our relationships with these countries; there are many issues at stake, and they all are somewhat important.

But drug production, drug running, the financing of drug transactions, are also very important to us as a nation. And we've given our response a high priority.

There should be no room for misunderstanding about what this legislation requires. And your report makes it manifest that these countries have not met that standard.

The question then becomes: What do we do, and what do you do, in order to ensure continued progress, cooperation, dialog.

Senator DODD. If the Senator would yield just on that point, I don't disagree with him at all. My concern would be that if we indicate that we want the administration to give us an honest report, and yet we suggest that if your report in anyway comes short of the standard that we're going to be caught in this box again, I'm afraid what we might end up doing is encouraging reports that aren't terribly forthcoming in order to meet that standard that we may be setting up here in this discussion this morning.

Senator TRIBLE. Well, I think your point is well taken. And perhaps this standard is unrealistic. But it is the law of the land, and we have to deal with that.

Now either we require that the standard be met, and failing to do so, take appropriate action; or we rethink this proposition.

So what we need from you, Mr. Abrams, and from your colleagues, is your best input on what the standard ought to be; what kind of progress is necessary, and ought to be required.

We don't want to be destructive here. We understand the importance of these bilateral relationships. We understand that what we seek is real progress.

And we also understand that we're dealing with nations that have a host of internal problems with different political systems.

This legislation is on a fast track, as you know. We need your wise counsel on how to best respond.

But we find ourselves, I think, in a difficult position, all of us, because the standard here is a very clear one. And I think it's equally clear, by the terms of your own report, these nations have failed to meet that standard, reasonable or unreasonable as it might be.

Mr. INK. Mr. Chairman, it seems to me that these discussions point up the need for a somewhat different way of addressing what is admittedly a very serious problem.

Since I'm not involved in the interdiction and eradication area, I won't add to what my colleagues have said. But I think it is important that in seeing how this may have to be applied, that we recognize that part of the impact of this action would be to undercut the efforts that we're making to try to help people in Panama to be less dependent on military, to reach low-income families, to develop a broader based private sector that's not just the banking people in Panama City.

It is the people of Panama who stand to suffer from the outcome of this kind of legislation. So I would join my colleagues in pleading for some better way in the future of dealing with this issue, Mr. Chairman.

Senator DODD. Senator Trible, do you have more questions?

Senator TRIBLE. I think that one of the other witnesses wanted to respond.

Ms. WROBLESKI. Senator, I just wanted to point something out to you. In the weeks as you know that the legislation was written, and you've certainly played a crucial role in it, and the fully cooperative is something that we've batted back and forth now for I guess an hour.

But I would also refer you to Section 481(f) of the Foreign Assistance Act, which is part of the Hawkins-Gilman amendment, which asks us to look at two things: One is the nature of the illicit drug production problem; and the second is the climatic, geographic, political, economic, and social factors that affect illicit drug production, and thus, eradication and interdiction.

I think based on the report, I think it's a very candid report as it should be. We looked at the total issue, and made our best recommendations.

One issue that has not been covered here which I think is of crucial importance. We are not talking about a wheat crop in Kansas. We're not talking about a sugar crop in the Caribbean. We're not talking about tomatoes in Mexico.

This is not the Government of the United States and the Governments of Mexico or Colombia or Pakistan or Thailand. Between us, there is a large international criminal network who profits off of the crops, who profits off of the trafficking.

This is not a very simple, do this or do this or else. We are frustrated between us by what some people have called the "Median cartel," an organization the Justice Department says makes the American Mafia look like choirboys.

And I think you need to take that into account. When we hit narcotics labs, when we reduce the cocaine crop, when we reduce the marijuana crop, we are hitting their capital investment. And they are going to strike back.

And so this is not a simple, please do this, yes we will. There is in the middle here territories that central governments don't control as well as a large criminal organization.

And in my view, that is part of the nature of the illicit drug problem. And that is of concern when you look at any country.

Senator TRIBLE. Mr. Chairman, let me simply conclude by saying, Madam Secretary, we do acknowledge and understand the complexity of the problem.

We also understand that it's a pervasive and destructive one. And the Congress has given the highest priority to dealing with this problem.

I don't have a quarrel with your report. Your report is very honest. I'm just pointing out the difficulty we have when—by the terms of your report—these countries have failed to meet the standard that Congress has set forth.

So what we need to do is, we need to reason together, and we need to determine a strategy that will move us forward.

We don't want to cut off our nose to spite our face. I don't think dialog is all that bad, frankly. I think to the extent that other nations know that we mean business and that we are contemplating the cutting off of aid, that's probably a very positive thing.

And I think nations should be on notice that whatever standard the Congress might use, what we're looking for is real and substantial progress and good faith, and that absent that, our bilateral relationship will not prosper and flourish.

So let everyone acknowledge that and hear that clearly, and let us work together in trying to fashion a law and a program that meets that target.

Thank you, Mr. Chairman.

Senator **Dodd**. I thank my colleague from Virginia. And I don't really have any disagreement with anything he said, except, I suppose, just on a more basic notion. We sometimes can be so presumptuous in the standards that we set, because we're in the advantageous position of being able to say yes and no to aid.

I pointed out earlier that we're now faced with an administration budget where we cut drug education programs in this country this year by 50 percent, and yet we're simultaneously going to turn around and penalize another country because they're not cooperating fully.

You may argue about whether or not you want to agree with the domestic budget levels, but in a sense I think before we start deciding whether or not other nations are cooperating fully, we ought to ask ourselves from time to time whether or not we're doing enough fully, because we're going to be charged with that.

And as others have pointed out, I don't think it's totally true, but there is certainly a great degree of legitimacy in the statement that there is no trafficking, there is no product, there is no growing, unless there is a market.

We are the market, and to the extent that we are successfully fighting the market issue here at home is a very important question. And as I say, we provide aid to countries so we can play the game; we can decide to cut them off on that basis, and we can seem very sanctimonious in the process.

But if we think we're kidding anybody about when we cut off economic assistance to some country, while we're continuing to become a bottomless pit in this Nation for many, many reasons, not the least of which is that we talk an awful lot about this problem and do damn little about it at the Federal level, then we're badly fooling ourselves.

At any rate, Chairman Pell.

The **Chairman** Thank you.

No matter what we do, this is going to come to the floor of the Senate, on Friday, as I understand it. Maybe it will come with a favorable recommendation, an unfavorable recommendation, or no recommendation from us.

I would agree with you. I think the legislation needs to be altered. I've not yet made up my mind what the right vote is on this.

One thought here is, as I understand, as I recollect, there are about 18 or 20 countries for which you certified in connection with aid, isn't that correct?

Ms. **Wrobleski**. Twenty-four total, Senator.

The **Chairman** Twenty-four? Just roughly, these 3 that we've somewhat arbitrarily picked, would they be, amongst that 24, at the worst end of the spectrum from fully cooperating, or medium, or better end of the spectrum?

Ms. WROBLESKI. Senator, that's a good question.

The CHAIRMAN. Help decide my vote.

Ms. WROBLESKI. Again, having complained about the pass-fail system, I guess I would like to hide behind it if I can, but I can't.

The CHAIRMAN. Maybe Mr. Abrams would want to relieve you at this time.

Secretary ABRAMS. Gee, I was going to leave it to Ms. Wrobleski to answer. I can't answer it, because I am unfamiliar with the records of countries outside of Latin America.

Ms. WROBLESKI. I think I can answer it. My sense here, and I don't want to assign motives, but my sense here is that what's frustrating some of you is the issue of corruption.

Certainly, Senator Kerry has mentioned it in the Bahamas, in Mexico, Panama.

The CHAIRMAN. Most of those countries have trouble with corruption. But my point is, it's a question of degree, of relativeness.

Ms. WROBLESKI. And again, as you say, corruption and narcotics go hand in hand around the globe. It's as true in Bangkok as it is in Miami as it is in New York.

How do you quantify corruption? Is there a standard which is above or below the line? That's the problem.

Again, you have to look at what we've asked them to do, and what have they done. I think, again, you have to go back to those specifics, those particulars.

The CHAIRMAN. But just try to answer the question. Is it on the worse end, or the better end, or in the middle of the spectrum?

Ms. WROBLESKI. I don't know, Senator. I guess at that point I would have to define the entire spectrum to know where to place these three.

The CHAIRMAN. The spectrum of the 24 countries.

Ms. WROBLESKI. Yes, I understand that. But that would require me to think of—well, I've set aside 5, so that gives me 19—I would say in the middle, Senator. That's just off the cuff.

The CHAIRMAN. In the middle of the spectrum.

Ms. WROBLESKI. That's off the cuff.

The CHAIRMAN. Thank you very much.

Senator DODD. Thank you. And again, we thank you for coming up here on such short notice and responding to these questions.

I think, clearly, if there's any consensus out of the committee on this issue, it is that we need to revisit, as soon as possible, the legislation, and take a look at what sort of standards we ought to set there so we're not confronted with this problem year-in and year-out.

This year's it's Central America and South America. Next year, it could be another part of the world.

General Galvin, we thank you. But before you leave, I wanted to move on to just a couple of questions if I could, coming back to the general subject matter for the hearings of this morning.

I can't resist since you're leaving the Southern Command, how are the Panama Canal treaties doing?

General GALVIN. Senator, I'll leave on June 6, so I'll be around a little while.

But the Panama Canal Treaty is halfway toward its completion in time, because we signed it off in 1977 and here we are in 1987, and if you look toward the year 2000, we should be halfway there.

I think in my judgment we have moved in the compliance with the treaty, but we have a long, hard job ahead of us in the decade to come.

Senator DODD. But they're working? Is that your general opinion?

General GALVIN. The treaty is functioning, it's working. The agreements are being carried out in a systematic.

Senator DODD. Are you satisfied with how they're working?

General GALVIN. Yes. I'm satisfied, Mr. Senator.

Senator DODD. General, I know it's a little bit out of your purview, but we may not have you up here before us again. I talked with the Secretary on this subject matter.

As you know, there's a Costa Rican, Guatemalan, Salvadoran, Honduran, and now Nicaraguan effort to try to achieve some sort of a political settlement.

I don't know if you've had a chance to review that at all, but would you like to share your comments with us on that particular effort?

General GALVIN. Well, as you know, Senator, that's a continuation of the earlier meetings and efforts. I have some doubts that the recommendations that I've seen so far that are heading toward Esquipulas and the next meeting are rooted in good solid commonsense and good judgment as to what the Sandinistas might do.

My own feeling is that the agreements are going to have to have some kind of enforceable side to them. And the thing that worries me the most about what I see in the formation of those now, is that it looks like, let's agree now and then carry out the agreements later.

And I think we have to say, "Let's be very careful about what it is we're agreeing to," and let's make sure that before we agree to things that allow great advantage to Sandinista Nicaragua, that we better be careful about our own—that is, the Central American countries' protection.

Obviously, we're sort of sitting outside this, watching what's going on. But I worry about it in that sense.

Senator DODD. I thank you for that.

Secretary Abrams, if I could, the Inter-American Development Bank's annual conference is going as we sit here in Miami, FL.

As you know, there's a major issue that divides us from our Latin American neighbors, and that is over the extent to which the United States can exercise a veto power on that assistance.

This is causing some consternation, to say the very least. It is the major issue of dissent and discussion, I gather, in Miami.

What I'd like to get from you is, what is this administration's view of the Inter-American Development Bank in a sense? Is it going to become a bank that is more of an American bank as such? Or is it going to be what it was—at least in my impression—historically created to be, and that is one that involved itself in the regional development and the like where that sense of cooperation was essential to it?

Granted we have substantial resources in it. But if we wanted to make it the former, it seems we could do that, and we ought to call it something else.

I'm curious as to your impression of how that's moving, and what the implications may be if we persist in this. This is not a minor matter, I'm told. This is causing an awful lot of fur to fly.

Ms. **Wrobleski**. We have, as I noted at the very beginning, we firmly believe that internal economic policy reform is crucial to development.

There is not going to be development, no matter how much money is thrown in from the outside, as long as the internal economic policies are not conducive to development.

For example, you can have capital flight, which just takes the money right out again.

It's our view that the Inter-American Development Bank has tended to undercut the IMF and World Bank by loaning money without the kinds of requirements with respect to economic reform that are really necessary.

That's really the purpose here, to try to get—and I think this is widely known in Latin America. Everybody views the IDB as a kind of soft touch compared to the World Bank. And that's a mistake.

Because money that is not conditioned on economic policy reform, we think, is just not going to be usefully spent.

Now we have said we'd like to propose more resources going into the IDB. We've also said that if we were to take resources away, they would go to the World Bank; they would not be lost to Latin America.

But our sense is that lending that does not have that policy reform side to it is not a useful way to spend scarce resources.

Mr. **Ink**. I would certainly agree with that. I don't think it's a matter of the IDB trying to undercut anybody else at all. I think it's just that the incentive system really doesn't move in the direction of working that closely with the other donors.

I would say that I think there has been some change in the IDB over the last year or so, and I think that is encouraging. But I believe that the people who are operating the IDB need to be better equipped and strengthened in their ability to work with the other donors on common reforms that the donors agree upon as necessary.

Senator **Dodd**. Well, I know that Secretary Baker down there suggested that if the rest of the countries would go along with our request in terms of the votes, that there'd be a substantially more amount of money available in the replenishment.

Now we all know, that's got to be done up here. And we know what battles we go through to get replenishments on these things.

I'm not sure who he's talking to up here, but the people I've been talking to on the Budget Committee are going to be doing our best to be able to maintain levels of funding.

And I've got to believe that these other countries are aware of that as well.

What about the European proposal where they have suggested, as a compromise there, that three members could control it, if I recall it correctly that's what it is, and allow some 40-percent control on 40 percent of the funds?

Doesn't it make some sense for us to move in that kind of a direction?

Mr. ABRAMS. I'm reluctant to respond to that, because I think the negotiations on our behalf are being conducted by the Treasury Department, by the Secretary himself, and I don't want to say anything or do anything that would weaken his hand.

Senator DODD. Well, I'd urge you, to the extent you can, to communicate this to the Secretary. I ought to tell him the same thing, and maybe I ought to drop him a note in this regard, but the idea of getting the substantial replenishment he's talking about for the IDB is a pipedream, in a sense.

I don't know if you're talking to people on the Budget Committee, but we're in the midst of that markup. And I've got my hands full as it is to try to hold the line in this function 150.

And that's the word we're getting. So to talk about substantial increases in these areas, in this climate we're in, I think is a terrible mistake.

But if you happen to be chatting with him, and the conversation has run out, and you don't know what else to talk about, you can say that.

Mr. INK. Quite apart from the amounts, I think we do believe that the funds that do go to the bank are easier to explain and defend to the American people if the people feel that as a result of those funds there are things taking place in these countries that strengthen the economies and work against them being long-term dependents on U.S. assistance.

Senator DODD. Well, I say, why not just get rid of all them and just have bilateral assistance programs. That's the best way to get American support if you follow that theory, and just get rid of the multilateral development institutions and banks, and so forth.

You can go that direction if you want I suppose.

Mr. INK. Well, we think there's room for both.

Senator DODD. Well, I agree, too.

I thank all of you for being here. It's kept you a long time, and I apologize for the late notice with respect to the drug issue.

Ms. WROBLESKI. Senator, if I may say one thing on that before you close.

We would like to say that we appreciate the opportunity to be heard on the three resolutions.

I apologize for intruding on an authorization hearing, but I do appreciate your making time to hear us.

Senator DODD. Well, it's not your fault. I requested it and insisted upon it yesterday, because we were going to go without any record at all and I didn't understand that in the slightest.

And I appreciate you all being here.

There are some additional questions that I presume will be submitted to you, at least some Members have indicated that.

I'm also going to unfortunately have to announce that we had other witnesses, public witnesses, including Ms. Szekely from the Inter-American Foundation.

And I would say to her that if she would submit her testimony, we have questions. Senator Pressler particularly was upset that he wasn't going to be able to hear from her this morning.

But there's another hearing scheduled here momentarily on Asia. And unfortunately, we've gone over. And so I apologize to those of you who have come here to hear the other witnesses, and we'll try not to let that happen in the future.

But we'll accept your testimony. We'll submit some questions to you.

And on that note, in addition to asking unanimous consent that the statement from the National Resources Defense Council be included in the record as well, at this juncture, this committee will stand adjourned until further call of the Chair.

[The prepared statement of Thomas B. Stoel, Jr., may be found in the appendix.]

[Whereupon, at 1:10 p.m., the subcommittee adjourned, to reconvene at 3:15 p.m., Thursday, March 26, 1987.]

ANNUAL PEACE CORPS AUTHORIZATION REQUEST

THURSDAY, MARCH 26, 1987

U.S. SENATE,
SUBCOMMITTEE ON WESTERN HEMISPHERE
AND PEACE CORPS AFFAIRS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met at 3:15 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Christopher Dodd (chairman of the subcommittee) presiding.

Present: Senators Pell (chairman of the full committee), Dodd, Cranston, and Evans.

Senator DODD. First of all, Ms. Ruppe, forgive us for the hour-long delay in getting starting. We did not anticipate such a long business meeting. So we beg your indulgence and forgiveness.

I have an opening statement, but my good friend and colleague from California and I presume also my good friend from Washington may have matters which they want to attend to. I have already held them up long enough as it is today. So I will turn to my colleague from California first, if I may, and then to my colleague from Washington, and then we will get to your opening statement and our questions.

[The opening statement of Senator Dodd follows:]

OPENING STATEMENT OF SENATOR DODD

Senator DODD. It is a great personal pleasure to chair this afternoon's hearing on the President's fiscal year 1988 budget request for the Peace Corps. As the only Member of the Senate who is a returned Peace Corps volunteer I take a special interest and pride in this important program, and I am pleased that oversight responsibility for the Peace Corps problem has been assigned to the Western Hemisphere Subcommittee, which I chair.

For 26 years Peace Corps has been doing good things. Mostly without fanfare, Peace Corps volunteers have been improving health systems, water supplies, food sources, nutrition, housing, forestation, and education. If people live longer and healthier lives in poorer countries today, if children have more nutritious meals and better schooling, it is in no small measure a result of the contribution made by 120,000 fellow Americans who have given a few years of their lives to the cause of development and peace.

Ironically, however, most of us who served as volunteers don't feel so much that we gave something of value but rather that we received something even more precious. We returned with a broadened understanding of other peoples, with an experience that will stay with us for all of our lives. The enthusiasm generated by the volunteer experience, the knowledge gained by it are only outweighed by the understanding acquired about other peoples, their cultures and values. That was the original idea of the Peace Corps—and it is working today, 26 years later. Last year's 25th anniversary celebration gave powerful evidence of the American public's support for the Peace Corps and what it represents. Its enduring popularity is something very special.

I welcome our witnesses this afternoon.

Senator CRANSTON. Thank you very much, Mr. Chairman.

I want to thank you very much and I welcome all of you who are attending today's hearing.

I thank and congratulate you, Chris, for scheduling this hearing on the Peace Corps and for your dedication to its welfare.

As a long-time supporter of the Peace Corps, I am delighted that this unique and successful program is being given attention early on in this 100th Congress.

For more than 25 years, Peace Corps volunteers have promoted the goals of international peace and friendship by helping persons in many nations overcome the often harsh realities of their lives, including malnutrition, lack of clean water, disease, and illiteracy.

Over the life of this program, more than 120,000 American men and women have served as Peace Corps volunteers in 92 nations around the world.

Chris, it is particularly fitting that you, a former Peace Corps volunteer, should chair this subcommittee.

Senator DODD. Thank you.

Senator CRANSTON. I know that the experience you gained through your service in the Peace Corps will prove an invaluable source of knowledge and insight—as it has already in the past—and I look forward to working closely with you and other members of this subcommittee on matters relating to the Peace Corps.

Before continuing, I want also to applaud your decision, Chris, to include Peace Corps in the name of this subcommittee. Through its contributions to world peace and understanding, I believe the Peace Corps has earned this honor and this significant recognition.

Yesterday, I introduced S. 842, the proposed Peace Corps Act Amendments of 1987. I know we have a busy agenda, so I will briefly summarize its provisions.

First, this legislation would authorize increased appropriations for the Peace Corps for fiscal years 1988 and 1989. The proposed funding levels—$146.2 million for fiscal year 1988 and $156 million for fiscal year 1989—would enable the Peace Corps to make progress toward achieving this congressionally established goal of a volunteer strength of 10,000.

This goal was established by legislation that I authored with the chairman and Senators Lugar, Kassebaum, and Mathias, and Representative Jim Leach, which was enacted in Section 1102 of the International Security and Development Cooperation Act of 1985—Public Law 99-83.

Despite the continued support for the Peace Corps among the American people and the dramatic increases in the populations in the developing nations, the numbers of Peace Corps volunteers have declined over the past two decades from more than 15,000 volunteers in 1966 to 9,000 in 1970, to just over 5,000 in 1984.

Currently, there are only about 5,500 men and women serving in the Peace Corps.

The funding levels proposed in S. 842 are drawn from a plan developed by Peace Corps Director Loret Ruppe at the request of a number of Members of the House and Senate, including the chairman of this subcommittee, Chairman Pell, and myself.

This plan proposes to meet the 10,000-volunteer goal in a phased and realistic way. I truly believe that the modest increases included in S. 842 are fully justified.

Second, S. 842 would clarify the authority of the Peace Corps to encourage donations from the private sector to help carry out Peace Corps activities.

Finally, S. 842 would direct the Peace Corps to encourage, facilitate, and assist activities of returned Peace Corps volunteers, as well as other individuals and agencies supporting such efforts, to further the third goal of the Peace Corps—namely, to promote a better understanding of other peoples on the part of the American people.

The experiences of the more than 120,000 American men and women who have served as volunteers overseas represent an invaluable resource of knowledge and understanding of the peoples of developing countries and the problems confronting them.

Meeting the third goal depends to a large part on the activities of volunteers after they have returned to the United States and resumed their careers in this country and no longer have formal ties to the Peace Corps.

In this regard, on the occasion of the Peace Corps' Twenty-Fifth Anniversary celebration in September 1986, almost 5,000 former Peace Corps members gathered in Washington, DC to commemorate that special event and to undertake and promote third goal activities.

This is a tremendous indication of the ongoing concern of people who have served in the Peace Corps.

This legislation would enhance the agency's efforts to build on the momentum of that event.

Although under Loret Ruppe's leadership progress has been made in promoting the third goal, more can and should be done, and done regularly and systematically to encourage the activities of returned Peace Corps volunteers and others working with them to share their experiences with their fellow Americans.

This legislation would provide the needed, clear congressional directive to the Peace Corps to promote third goal activities.

In closing, I would like to extend a special welcome this afternoon to you, Loret, as the Peace Corps Director. Your dedication, skill, and leadership have greatly benefited the Peace Corps, and I look forward to continuing to work with you.

I also want to welcome Bill Josephson, formerly general counsel to the Peace Corps, who was a key player in getting the Peace Corps launched in 1961, and who has continued to advance the cause of the Peace Corps and to be a valued advisor to me on Peace Corps matters.

Finally, I would also like to extend a warm welcome to Doug Siglin, Timothy Carroll, and Katy Hansen, all of whom did such outstanding work on the 25th anniversary celebration.

I look forward to hearing from each of you. Unfortunately, I cannot stay for your testimony because of another commitment which demands my attention now. I regret that. But I do want to study the record, however.

I have some questions for the record which I will have to submit to you in writing rather than ask them verbally.

Finally, Chris, I ask that a copy of my introductory statement on S. 842 and the bill be included in the record.

Thank you very much.

Senator DODD. Without objection, it is so ordered.

[The information referred to appears in the appendix.]

Senator DODD. I would just say, too, Alan, that I appreciate your kind comments about my chairing this subcommittee.

It was 20 years ago this very month that I was in my second year as a Peace Corps volunteer in the mountains of the Dominican Republic. Never could I have wildly imagined in my most dream-filled day that 20 years later I would find myself sitting as the chairman of a subcommittee overseeing the jurisdiction of the Peace Corps, believe me. But part of the privilege to chair this subcommittee is in no small measure due to the Senator from California, as well, of course, as the Senator from Rhode Island. In the case of the Senator from California, he has seniority over me here in this committee, and we follow strict rules of seniority on these matters. Very graciously he agreed to let me chair this and include this area as part of our Subcommittee on Western Hemisphere.

I am eternally grateful to you, Alan, for that privilege, and would like to express that to you publicly as well as to my chairman, the Senator from Rhode Island.

Senator CRANSTON. Thank you, Chris.

Senator DODD. Mr. Chairman, do you have a statement that you would like to make?

The CHAIRMAN. No, except to say how much I admire the job that Loret Ruppe has done, and how much I admire the Peace Corps, and how much I wish that instead of 5,000, we could have tens of thousands of young people, middle aged people, and older people, all carrying the Peace Corps banner, going around the world. We would do far better if, instead of the number of military people we have around the world, we had the similar number or half that many Peace Corps people.

[Applause.]

Senator DODD. Thank you, Mr. Chairman.

The Senator from Washington, Senator Evans.

Senator EVANS. I will be brief, Mr. Chairman, in order to let the Director give us her testimony and would associate myself with all of the comments that have been made.

I join in the enthusiasm for the Peace Corps and its activities and I would guess that the Director only wishes that we were the ones who could make the final decisions on budget and on the performance of Peace Corps. If so, they would do very well indeed.

So, Mr. Chairman, without any further opening statement, I am anxious to hear from the Director.

Senator DODD. Thank you very much. I have an opening statement, as I mentioned earlier, which I will submit for the record.

I just want to say that I looked forward to this day, first of all, on November 4—with all due respect to you, Madam Director and Senator Evans—when those of us who were in the minority became the majority and the possibility of being in this chair presented itself.

I have looked forward to this opportunity.

I have had the privilege of working with you over the last 6 years and we have had some great successes. You have done a remarkable job as Director of the Peace Corps. I have known every one of them. There have been some darn good Directors over the years, and you rank with all of the best. So we are lucky to have you. Those of us who were volunteers, RPCV's, feel very fortunate that you have been at the helm of the Peace Corps over these last 6 years.

We are delighted to have you here this morning along with the other panelists who appear.

So, without further ado, let me tell you that we will accept your statement for the record and you can present it as you wish. We are delighted to accept it.

STATEMENT OF HON. LORET M. RUPPE, DIRECTOR, THE PEACE CORPS, ACCOMPANIED BY JACK BURGESS, ASSOCIATE DIRECTOR, INTERNATIONAL OPERATIONS, THE PEACE CORPS

Ms. RUPPE. Thank you very much, Mr. Chairman.

May I just put into the record our Peace Corps' incredible gratitude to Senator Cranston, whose long and undivided support for the agency has been from its very earliest days, and of course to Chairman Pell.

Mr. Chairman, I want you to know how honored we are to appear before you. I feel like I am representing all the volunteers who have served and the 5,500 who are out in the field today, how proud they are and grateful to have this historic first—a subcommittee named after the Peace Corps and headed by a returned Peace Corps volunteer.

I could sit here today and tell you all about Peace Corps, but after the session just before, I realize even more how busy you are. Also, you know what it is like to be out there. You have been a Peace Corps volunteer.

Members of this subcommittee have all visited our volunteers. You know the Peace Corps of the sixties, when you served in the Dominican Republic. You all know the Peace Corps of the seventies and eighties as you serve in Congress.

You and the members of this committee participated in many of the events celebrating our 25th anniversary last year.

I want to express my gratitude for all that interest and support, and to all the RPCV's, the 120,000, the Peace Corps family, who have always worked for peace. They have been incredibly helpful to me and now they have rededicated themselves to the third goal. Several of their proud representatives, of whom I am most proud, are here today.

Last month, I visited with 300 volunteers in Central America, and I can detail to you the great work they are doing for peace. But you also have been there. You have seen the work being done by volunteers with the rural farmers, jobless youths, small business persons, women in development, working at the grassroots level.

What I would rather do today is talk about the Peace Corps of the future, a Peace Corps that has grown in the last 25 years into a strong development agency, with better long-range programming and country programs now run by country directors who are all selected by Peace Corps. No more political appointees, they are experienced managers.

In fact, it might interest you to know, Mr. Chairman, that 23 of them are returned Peace Corps volunteers, thanks to the efforts of so many on this committee.

Also, thanks to the efforts of this committee and its sister committee in the House, Peace Corps can bring overseas personnel back to the United States to work in headquarters, so their recent field experience can really help us better support our volunteers, and we can now send experienced headquarters staff out to the field to have better administrative services there.

So, thanks for the additional 2½-year appointments for 15 percent of our American staff. It does allow us far stronger management and support to allow our volunteers to be more effective in the next 25 years.

We see that we are stronger and better equipped to meet the challenges of the future.

Why?

Well, also leaders around the world now finally recognize the way to go. The needs of the rural areas must be met, the small farmer encouraged. Small is beautiful.

During my recent visit in Central America, the leaders of every country with which I visited said we must meet the needs of our rural areas. During the emergency session on Africa held at the UN in May, every African leader keyed in on a viable agricultural sector, desertification, human resource development, women in development. These have been Peace Corps' priorities since its beginnings.

Volunteers know the African farmer and her husband.

During my visit in November, with President Aquino of the Philippines—and we were so proud and grateful that she came to the Returned Peace Corps Volunteer Conference—she said we must do more of the work that Peace Corps has done so well. Hence, there is a climate of support that has never before existed worldwide which now exists.

The same testimony is heard over and over again. It is the small, grassroots, people-to-people programs that are going to succeed. We have learned that throwing vast sums of money at developing world problems just does not work.

Our ongoing coordination, Mr. Chairman, with AID is really also allowing us to better train and support our volunteers. Our participating agency service agreements in forestry, oral rehydration therapy, child survival, nutrition, have really allowed us to bring our volunteers in for additional in-service training. It has allowed us to send staff to conferences, to really be better technically supportive of our volunteers. Our small project assistance fund has generated 385 projects in 34 countries this past year. Plus, I am proud to report that our Peace Corps Partnership Program, which was at a level of $40,000 in 1981, hit $246,000 last year, with 91 projects completed.

So, we are also coordinating far more closely with the private sector, with private voluntary organizations.

And here in our own country, the climate is so much better for more Peace Corps in the next 25 years.

Last week, at Stanford University, we met with 16 presidents of universities, including Brown, Trinity, Notre Dame, Ohio, Wisconsin, Antioch, Paine, Pearce—all these presidents came because they are interested in reconnecting with the Peace Corps.

How can Peace Corps be more of a bridge to the schools and universities in the countries we are in? How can we encourage universities to send their retired faculty overseas? We need more teachers of teachers, trainers of trainers. Can we have more masters degree programs? Michigan State and Cornell are interested in sending agricultural students through the Peace Corps in masters degree programs. MIT is talking about their retired faculty. Harvard wants to send dental students.

So we are going to try the short-term volunteer in a pilot project with this type of Peace Corps associate program, which would give us the much needed skills of people who cannot serve the full 2 years.

On the other hand, we intend to promote more third-year tours. We have never used effectively that third-year volunteer, who really has the skills and language fluency that we need. We intend to program them far more and not have them budget driven.

Peace Corps can also be a bridge for doctors to the developing world. I think of the hospital in Acra, Ghana, that could be revitalized if we could be the bridge to a medical school.

Peace Corps could be the bridge to agronomists from the USDA. We are encouraging them to think of sabbaticals.

The National Park Service has already agreed to a system where they will encourage sabbaticals by their park planners and range managers to help us in our work.

Small business development and the whole challenge of small enterprise development—one of our country directors in Costa Rica just recently said that I don't think it should be SED, but it should be TED, that is, tiny enterprise development. That is what needs to be done overseas.

And if we ever return to India, Brazil, Ethiopia, if we ever have the opportunity to enter China, this is the face of America that we must show. These are the challenges that we are presenting to America.

A recent southern Governors' report calls us a nation of international illiterates. Our volunteers are literate. They are user friendly. They are compatible with the interdependent world of today. Yet fewer and fewer of them, as has been pointed out by Senator Cranston, are allowed to serve overseas—this, at a time when America's level of language training remains where it was in 1915.

And we want to be competitive?

Mr. Chairman, you have expressed your concern by submitting Concurrent Resolution 26 earlier this month. We certainly fully endorse it and encourage you in your efforts. We will do everything we can.

The universities and colleges of America are concerned over this, this international illiteracy, and the so-called yuppie generation.

It might interest you to know that this has now been supplanted by dinks—that is, double income/no kids. [Laughter.]

They are concerned that we, as a nation, have not only——

Senator DODD. What about sinks—single income/no kids. That, too. [Laughter.]

Ms. RUPPE. Yes. They are determined and they are very concerned about this, and I think working together, they see the value system has been undermined by heavy student debts, by the tremendous pressure on career placement. I want to say how pleased we are and how pleased they were, Mr. Chairman, to hear of the loan forgiveness program that is now part of the legislation. They think this will truly open Peace Corps to lower economic groups and certainly encourage minorities.

So we are very excited about that.

In Stanford, we also discussed the concept of the ROTC program, Father Hesburgh's proposal. University presidents were most encouraging.

So, in Peace Corps, we see the stars of these generations. But let us allow more of them to serve.

We had 200,000 inquiries last year, 13,000 applications for 2,700 places. We are tougher to get into than Yale, or Washington University, should I say.

Senator EVANS. The University of Washington.

Ms. RUPPE. Yes, the University of Washington.

As Sarge Shriver said at the end of the 25th anniversary conference as he sent the returned Peace Corps volunteers forward, "Serve, serve, serve, because in the end, it will be the servants who save us all."

With these great challenges, we are ready to move forward. But, in fiscal year 1988, at its present budget level, Peace Corps will have fewer volunteers serving than since its beginnings in 1962. Deficit reductions and rapidly rising administrative expenses beyond the agency's control have already resulted in the decline of over 1,000 volunteers.

In these times of deficit reduction—and we are all aware that our Nation is facing a terrible deficit—we must make hard choices, and the Peace Corps is willing to compete in those choices.

To quote one of your colleagues in the House: "In times of hard choices, doesn't a good business person utilize those items on his or her shelf that produce and are cost-effective," and, may I add, have long-term payback?

At our worldwide conference here in Washington, DC, of all our country directors, I would like to close with the statement made by the country director who represented all 48 of our front-line managers. He said: "Can it be that peace is too cheap? Is it a dull and interesting prospect? We think not. We affirm the bold and noble experiment. We must ask ourselves one question. Faced with continuing basic human needs in poor countries, faced with sustained growth, permitting expanded programs for development and cross-cultural understanding in increasingly stable middle-income countries, faced with new potential for cooperation with China and the East bloc, are 10,000 volunteers enough?"

We accept the challenge. Let the bold experiment become the bold program.

Thank you very, very much. I would welcome any questions.

[The prepared statement of Ms. Ruppe may be found in the appendix.]

Senator Dodd. Thank you very much, Madam Director. That was a poignant quote at the end, one that ought to be perhaps etched into some walls around here as well.

Let me turn first to Senator Evans. As I have said earlier, I have extended the patience of my colleagues earlier today——

Senator Evans. Not at all.

Senator Dodd [continuing]. And I apologize for that.

The Senator from Washington.

Senator Evans. Thank you.

You said that the Peace Corps is now at a point where there are many, many volunteers or potential volunteers, and that it is as selective as the most selective of our colleges and universities. This seems to indicate that whatever benefits accrue from the Peace Corps, which has to be overwhelming satisfaction in serving, that it does not require any more incentives. But, even given that, do you feel that we would be better off in the long run if we extended the same kind of potential educational benefits, for instance, to Peace Corps returnees that we do to military people—that is, full GI bill opportunities? I know there are some, currently.

Ms. Ruppe. This was one of the items on the agenda discussed with the university presidents at the Stanford conference that took place just this past week.

Really, faced with their debts—the student debts are far higher than they were in the 1960's, when volunteers first went off—our problem has really been needing to help, to open Peace Corps to lower economic groups and also to encourage more minorities to serve. We simply are not showing the whole face of America overseas. We are not training the representative group of all America to go into international relations when they return.

So I really do feel that it is the time that we think strongly of additional assistance for Peace Corps work, still utilizing it in such a way that the motivation that we need to be a successful volunteer is kept intact in the integrity of the program.

Senator Evans. So, really, while it is a competitive entrance program, it is competitive for a fairly narrow slice of American youth——

Ms. Ruppe. Yes.

Senator Evans [continuing]. Or is not at least as broad as you would like to have it.

Ms. Ruppe. Yes.

Senator Evans. What about Peace Corps volunteers who might volunteer prior to any college training and, as a result, look forward to the utilization of educational benefits after completing Peace Corps work? Would they normally be too young to have the kind of background and experience you would like them to have as Peace Corps volunteers?

Ms. **Ruppe**. Yes. Our lower age is 18 years of age. But we take very few, because every country we are in is really asking either for a university degree or at least 5, 7, or 8 years of experience. So they really are rather young.

But one of the thoughts of a possible ROTC program would be a competition for those places and then a group of study, a curriculum, that would reinforce their ability to serve with great value overseas, and especially in scarce skill background, of which we never have enough—agriculture, forestry, math, and science teachers.

Senator **Evans**. So it really would be educational benefits prior to rather than after service—as you say, very much in the ROTC mold.

Ms. **Ruppe**. That has been the original thinking about it.

Right now, we do have over 50 graduate schools that offer scholarships to returned volunteers. We have been encouraging many more schools to do that.

Now that we have longer range programming—for instance, in our African food systems initiative—a school like Michigan State or Cornell can look ahead a few years and see where they could slot a real program that would make a masters degree experience really possible. So we are also encouraging that type of endeavor.

Columbia Teacher's College right now has a masters degree program which has been sponsored mainly by Xerox Corp., where math and science teachers who are volunteers overseas—and they are in short supply over here, so, needless to say, it is very difficult for us to fill all the requests overseas, where there is a complete shortage of them. But at this point in time, returned volunteers, who taught math or science, if they qualify, can go into the inner city schools of New York City, where they teach math or science, filling much needed empty places, and get their master's degree on a scholarship basis. We are getting great interest in a program like this, say from Los Angeles, to teach English as a second language, and we would like to expand that program around the whole country. Where they receive their wages from the city board of education. So it is relatively inexpensive.

Senator **Evans**. Are there countries that do not now encourage or allow Peace Corps volunteers? I know that we are not very big behind the Iron Curtain. But there are a number of other countries, I understand, which, for one reason or another, have not been too hospitable to Peace Corps volunteers. Are there some of those countries that you feel are particularly important, ones that you would like to find ways to enter into?

Ms. **Ruppe**. Definitely.

Senator **Evans**. Is there anything we can do to help along that process?

Ms. **Ruppe**. The major thing I feel is it always goes back to the budget, Senator. I hate to say that.

Senator **Evans**. But I am not referring so much to an inadequate numbers of volunteers, but rather are there some countries that, for whatever reasons, do not really appreciate Peace Corps?

Ms. Ruppe. Well, I think from the very beginning, Sarge Shriver was very interested in getting some to Russia and China.

Senator Evans. I understand the difficulties that exist behind the Iron Curtain. But what about outside the Iron Curtain?

Ms. Ruppe. Well, China has shown some interest, and we are very pleased. That is why we are talking about the possibility of an exchange program in the future. You know, we need Chinese language teachers here. Could we foster some sort of exchange, if they need international lawyers, for example? But it is very difficult to do without the budget.

We have had a great deal of interest that we should be back in Brazil. They became unhappy with our policies—not ours, not Peace Corps, but U.S. policies—in the late seventies, and I think it is a tragedy that we do not have Americans learning Portuguese and building a relationship there. So there is China, India, Brazil, Peru, Panama—but countries right now who want volunteers, who are asking us, where we can hardly fill the request, are equatorial Guinea, Chad, Sudan is interested, Zambia has shown interest, Djibouti, the Cameroons, Pakistan, and Bangladesh—these last two have both shown interest recently.

There is a long list of countries.

Senator Evans. That really answers my next question is where would we first expand. I guess, given more volunteers, the answer is almost everywhere.

Ms. Ruppe. Yes. Almost every country we are in would like us to be in other sector areas also. But it takes staff and it takes strong programming to give our volunteers the best chance to be effective.

Senator Evans. To what degree or where would you say we have done the best job of transferring knowledge and ability—not just transferring knowledge and ability in terms of Peace Corps teaching villagers to do certain things, but in transferring the very concept of Peace Corps itself, or of people continuing to provide the kind of assistance, the kind of help to their own countrymen?

Ms. Ruppe. I would like, for the record, to provide you with a list of definite things that have happened. We have been in 93 countries. For instance, I recently was with a senator from India, who said he remembers Nehru getting up and saying Peace Corps volunteers did more to help the rural farmer of India than any other group.

We know we introduced poultry raising to that country.

In the Philippines, we could show you forests, we could show you people who have been educated.

In Africa, most of the leaders in Africa today grew up with Peace Corps. We were the first white people who came and said we will learn your language, we will go out to the schools, and we taught ideas. I think it is indicative that the former Deputy Prime Minister of Thailand 2 years ago said to me, "You know, with our long relationship with the United States"—I mean, they recognized our independence, they were the first country to do so, they offered to send elephants to us in the Civil War—yet he stood there at 82 years of age, and he had been the person who first invited Peace Corps to Thailand. He said to me that this has been the most valuable outreach of America. It has shown us your ideals. You are getting into the thought of how volunteers do show the ideas and ideals of America.

So I would like to get that to you.

[The information referred to appears in the appendix.]

Senator **Evans**. Let's take Thailand as an example. They have built some considerable prosperity for themselves, a considerable middle class and upper class. Presumably they have young people from within Thailand itself who might perform many of the same tasks, they work on a volunteer basis. I guess that is what I really was getting at.

I wonder if other countries have sort of spawned their own version of a domestic Peace Corps as a result of our efforts in those countries?

Ms. **Ruppe**. Yes, they have.

We know that in Malaysia—as a matter of fact, our regional director has been there once and will return again. We withdrew from Malaysia in 1982 because we did feel that we had worked our way out of a job. They are now in the process of starting their own Peace Corps, and they have asked us for assistance in doing that.

We would very much like to encourage President Aquino to throw out a challenge to her population and to be there to help train.

I was recently in the Philippines, where the minister of health said, "We know we have to get services out to the rural areas, and it should be Filipinos." We agree fully with that and we would like to assist.

You have hit on one of the themes of our 25th anniversary, which was that in the next 25 years, this is precisely what we should be encouraging, indigenous volunteer groups.

I was in Ghana, where they have a form of national service, where they have a group called the Amasachina group, which is a self-help group. We have volunteers working closely with them.

That is definitely one of our challenges of the next 25 years, that and the challenge of the urban poor areas. We have never done long-term programming that really has been able to be effective. Usually a volunteer simply does not know the language well enough in that first year of volunteer work. They usually cannot live in the area because it is just too difficult. But now we are talking about taking our third-year volunteers and doing actual programming, where we would really work on this problem. Where everything has been ad hoc for the last 25 years, now we see a real chance.

This is all in the theme that I am talking about. We have more of an ability to be effective in the next 25 years than we ever have been.

Senator **Evans**. Yes. Thank you.

Thank you, Mr. Chairman.

Senator **Dodd**. Thank you, Senator Evans.

Well, first of all I will ask you about the money, since that is the major subject of discussion. Let me say that in addition to serving on this committee, I serve on the Budget Committee. That is more of a sentence than a privilege, I think. [Laughter.]

Senator **Evans**. They give on the one hand and take away with the other. [Laughter.]

Ms. RUPPE. Well, we are glad that you do.

Senator DODD. It is just mind-boggling.

Ms. RUPPE. Do you mean that I can sleep more soundly tonight because you are on the Budget Committee? [Laughter.]

Senator DODD. And I won't because I am on it, that is the problem. [Laughter.]

You have made your request of the $130,682,000, and you have the Peace Corps goals, obviously, to go to 10,000 volunteers in the field. How is that adding up?

Let me throw this in as well. I know you are familiar with Senator Cranston's bill, which has a figure of about $146 million, for which he will be making a request.

Now, I am not going to put you into that awkward position that I know members love to up here, which is to get someone from the administration and mention two numbers and squeeze you into declaring which number you would like better.

But I just wonder if you might lay out for us how you see attaining the 10,000 level, with these budgetary figures? You have had pretty much the same figures for the last 3 years and obviously the costs are going up. So give us some idea, if you could. I don't want you to take a great deal of time, but tell us how that all comes together for you.

Ms. RUPPE. Well, it just does not come together. We project that we will be at $130.6 million, and that will be at the lowest figures we have ever been. You have $600,000 to $1 million with the weakening of the dollar in Africa, which is costing us, there are uncontrollables in Medivacs, in FASS payments, in GSA rents, and overseas rents, and FECA, too—these have all risen to take up any of the additional money which the Congress gave us last year.

So, if we are at the same budget this year, in constant dollars—just to give you some idea, in constant dollars, in 1963, the Peace Corps budget was at $59 million. That was in constant dollars $82,414,000. In 1988, at $130.6 million, in constant dollars, it is $51,930,000. That is less than it was when we were, in 1981, at $105 million.

So, it is just impossible for us to move forward.

We are doing everything that we can with the private sector. We are trying to coordinate with universities. We are welcoming gifts in kind. But we cannot do any of the substantive work that needs to be done.

Senator DODD. Well, what do you need?

Ms. RUPPE. We put in a plan, the exact same plan that we gave to Congress, that they asked us for, it is still in effect. At your request, we recently submitted an adjusted plan on how to reach 10,000 by 1992. I would be happy to admit that into the record.

[The information referred to appears in the appendix.]

Senator DODD. We will accept that.

Why don't you go over that a bit for us.

You know, we have done remarkably well in the last 4 or 5 years. The budget has increased some $41 million for the Peace Corps. I cannot think, with the exception of the Defense Department, of anyone who has done remotely as well in terms of getting increased appropriations.

What would it have been like without it? Maybe I will start there.

Ms. Ruppe. Well, without it, we would be way down below 4,000 volunteers probably.

Senator Dodd. We would?

Ms. Ruppe. We would have to come out of countries, which is so painful, because once you are out of a country, it is very difficult to get back in.

Having been Director now for 6 years—and I would like to have this on the record so that any future Directors will know it in case they do not listen to me in the future—let me say that we came out of four nations because of the tremendous cut we took, $10 million on top of 15 years of cuts in 1981. It eventually was restored 3 months into the next fiscal year. But we had to testify to what we were doing.

The only major way to make cuts is to come completely out of a country. So we came out of Korea, the Ivory Coast, Colombia, and Chile eventually.

Now we should be back in all those countries, really. But it is very difficult, once you are out, to get back in.

Is your question what would we be at what level? We have presented a plan that we know, with the interest from countries that we are in, in 1987 to $137.2 million; in 1988 to be $146.2 million; and in 1989, to be $157 million; and on into 1992, ending up at $196.2 million. This would be actually $100 million under what Peace Corps would have had if it had stayed current in its funding over the last 25 years.

Senator Dodd. In short, your testimony is that short of that $146.2 million, approximately $16 million more than what presently is being requested, the goal of 10,000 volunteers by 1992 will just not be met? Or, conversely, I guess, you will have to substantially increase the budget numbers for 1989, 1990, and 1991 in order to make up that difference?

Ms. Ruppe. But, as a wise investment, as you know, from your own experience in the Peace Corps, if we could have these increments in order, that is how we build the base and do the programming. We do not want to be back in the sixties where occasionally volunteers were parachuted in. This way, we could build the base, at $10 million more a year for the next 5 years.

Senator Dodd. Now if I were someone who wanted to know why that particular number, or why other things could not be done, I presume one of the first questions I would ask you is what administrative steps have you taken to reduce the overhead costs of running the Peace Corps in order to maximize those dollars to put more volunteers into the field.

Ms. Ruppe. We have cut as much of our staff in Washington, DC, as we can. That is always at the expense of quality.

For instance, we have cut a lot of our evaluation program. That really does not help us to be more effective. Now we are putting it back in, but we really do not have much money to put it back in.

So, the increases need to go kind of across the board. We should have far more computers. We have practically malfunctioning computers overseas at this point, because they have gotten old. State is about ready to make a new buy, but we have no money put aside for the new computers that would help us with institutional memory and all the things, all the records that we need to keep straight.

When I go overseas, it really gets very discouraging to talk to volunteers and have them ask questions—why isn't this happening, why isn't that happening—and I have to say that we simply do not have the budget to put that into effect.

So, in this country, we have 80 recruiters to cover 50 States. I don't think that is extravagant, and they are all temporaries. Everything we do is on the cheap, because we have been under such tight budget constraints for so many years.

Senator DODD. What is the pay of a volunteer now and the relocation assistance?

Ms. RUPPE. I am proud to say that in 1982, that was increased to $175 a month per month served. But that took $3 million out of our budget right there.

Senator DODD. Just for Senator Evans information, let me indicate that that is a $75 raise in 20 years. I received I think $100 a month in 1966.

Ms. RUPPE. Right.

Senator DODD. So it has gone up only $75.

Ms. RUPPE. To stay current, that should be about $270 a month at this point in time.

I guess we all know the story. It just seems like after 6 years of being Director, you just see how much more we could do for so little, really, as things are done on the Hill.

I was interested yesterday in reading about the B-1 bomber—though I don't want to get into Washington matters. You know, one of them is worth two of us.

Senator DODD. How about Contra aid?

Ms. RUPPE. And yet, they say all their systems are not go. But we say that all 5,500 of our volunteer systems are on full go.

Senator DODD. Now, you go easy. I want to keep you on as Director. We are not going to put you on that kind of spot. [Laughter.]

Ms. RUPPE. You know, we really are saying, I think, that the support of Senator Evans and you and of so many is very evident. We are now nonpartisan, so to speak. We represent the best that is in all of America. I am very pleased that we have come to that in the 1980's. I see a great future for the Peace Corps because that has happened with a lot of help from a lot of great people.

Senator DODD. Dan, did you want to jump into this for a minute?

Senator EVANS. Yes. There was one point on money that I forgot to ask about. You mentioned it briefly.

Do you have or could you get for the record the amount of money that you lose in essence from the currency fluctuations. Sometimes that does go our way.

Ms. RUPPE. Yes. It was going our way for a couple of years.

Senator EVANS. Yes. That helps you out. But it certainly has not gone our way recently, at least in a lot of countries.

It would be helpful to know how much of your budget really does get drained away in that reduced buying power. And also, I presume that just inflation, to the degree you have to use local currencies, inflation in those countries, as opposed to our country, also has something of an impact.

Ms. RUPPE. Yes, it has very much.

Senator EVANS. We tend to think of most of our budgets in terms of our own inflation and our own stability of the dollar.

Ms. RUPPE. Could we present that for the record?

Senator EVANS. Yes. It would be very helpful to have both of those.

Ms. RUPPE. Thank you.

[The information referred to follows:]

It is difficult for us to quantify the impact on our budget of both currency revaluations and inflation in host country economies. Much of these impacts are absorbed on a day-to-day basis within existing budget levels. This is accomplished through decisions at post level to delete previously planned purchases or to adjust requirements to match available resources. Many of these adjustments are not reported to Washington, but reflect decisions made at post level. In addition, inflation levels vary widely from country to country and from month to month in a single country. For example, Sierra Leone has devalued its currency three times over the last 2 years. The most recent devaluation changed the value of the currency from 12 to 50 leones to the dollar. We would estimate the total cost to our budget over the last year for such revaluations and inflation to be between $1 and $2 million. These estimates, given the lack of detailed reporting, can probably be considered conservative.

Ms. RUPPE. We know right now that we are estimating $700,000 to $1 million in Africa alone, in the francophone countries, with the weakening of the dollar that has occurred.

Senator EVANS. Thank you.

Senator DODD. To pick up on some of the points Senator Evans was raising, there are a couple of suggestions I would like to talk about.

Father Hesburgh, the now-departing president of Notre Dame University, has suggested that one idea might be to have a reverse Peace Corps; that is, to invite young people from other countries to come and serve as volunteers in some of our rural or urban areas. Has that idea received any debate or discussion?

Ms. RUPPE. Well, I constantly talk about it because I feel it is very important, if we are going to return to India with a program like Peace Corps, if we are going to get into China, if we are going to go back to Brazil. And in the countries where we are in, also, Sarge Shriver always talked about a reverse Peace Corps.

It was interesting that the President of Ghana at the very begining, when Sarge Shriver first talked to him, he said are you going to let me send Ghaneans, and Sarge said of course yes. And there was a program like that in the late 1960's.

However, in the seventies, I think due to Vietnam and I don't know what was happening here on the Hill, but it was legislated that we are not allowed to spend any money on such a program.

But we are still talking with VISTA and all and other private groups or universities, and are saying somehow could we be that bridge, or could we get the legislation changed which would allow us to do more. Right now, because of the tight budgets, I think most of the committees have said that that has to be something in the future because there are so many things to do right within the Peace Corps for Peace Corps to be sending out development workers.

But we are very much interested in that.

When Governor Orr lectured his trustees at the University of Indiana, he said we should not have one American graduating from our MBA program without fluency in a language, preferably an Asian language. This makes me think could we go to China, say 100 English language teachers, in exchange and have an exchange program. I think that would be extremely helpful.

Senator DODD. That is what I was thinking about. There is going to be a proposal—I think we have done it year in and year out—to provide assistance to Costa Ricans, to young people to come to this country.

Senator Graham, of Florida, is proposing a bill which will include public and private sector States and localities to bring far more people from the Caribbean Basin to this country. I often am cited this statistic, though I forget it by one or two, but there are around 6,000 young people, not including Cubans, who are studying behind the Iron Curtain from the Caribbean Basin free of charge. We have, I think, only around 20 who are in that same category, from the same geography.

Obviously there are concerns all the time.

There are many students who come from those countries to here. It is not only the 20 students who are here. But most of them come from affluent families who can afford to send their children here.

It occurs to me that something along the idea of the reverse Peace Corps with young people, maybe in a work-study scholarship, might be more appealing to Members of Congress. There is a cost involved. But there is a benefit involved to this country as well as to the student. And, of course, there is the long-term benefit.

I think now, of the 21 countries in Latin America, General Galvin pointed out the other day that there are now only 4 who remain where the emblem of having graduated from one of the senior military schools in this country is worn. It used to be that every one of them, of the senior military officers, had spent some time here, and you could always tell the difference. But we have cut back on a lot of that.

I would be very interested in seeing at least what your thoughts have been, if not for the record here, then at least for my own perusal. If people have drafted some documents or had some discussion on this subject matter, I would be interested in seeing them as chairman.

Ms. RUPPE. We would be very interested, too. When I was in Honduras just recently, one of our staff there was one of the volunteers who worked in Spanish Harlem here in 1969, and was saying what a great success it was at that time and how much he had learned.

He said—and this was also very interesting—that he ran into the same problems that many of our volunteers run into, such as graft, slowness of the bureaucracy, and all sorts of things, right here at home.

Senator DODD. The host country nationals problem.

Ms. RUPPE. I guess the problems of development are the same all over.

Senator DODD. We HCN's are that way. [Laughter.]

Ms. RUPPE. But, again, it gets down to why can't we be aggressive and go back to Brazil or go to India and say, you know, working with partners or sister cities. And now that the RPCV's are really coordinated and are eager to be involved in projects like this, they are such a natural place to link any program like that, so we would be happy to work with you in seeing what can be done.

Senator Evans. I know that money is, of course, a real problem in expanding. But I just wonder if it would not be a wise idea for us to pursue the change of legislation, with the removal of barriers, at least, so that it clears the deck, the way, for that kind of reverse action.

I think the Director is absolutely right about the fluency of language. There is a certain arrogance I think in our own country, that we should deal with people on our own terms and in our own language. If we talk about competitiveness, that is hurting us as much as anything.

Senator Dodd. Sure it is.

Senator Evans. In a lot of languages, we simply do not have the people in this country who know enough of some of the more obscure languages to teach them.

Senator Dodd. Why they don't even know enough of the common ones, let alone the obscure ones.

Senator Evans. But it is important for our diplomatic and international purposes that we have people who are fluent in some of those languages, and we do not think about it too much until something happens.

We did not have many who spoke Farsi until Iran blew up.

Ms. Ruppe. That is another whole question.

We are in several Arab nations, and we probably have been one of the greatest training grounds for Americans in all language, but especially in Arabic. But we have been wanting money. We have been talking for several years about having a major conference about Peace Corps in the Arab world to encourage more of these types of exchanges.

But, there again, that is priority X out there, someplace, because we just do not have the money to do it. But then we work through the private sector.

I would very much like to put into the record, if I may, that we have an excellent new report on what our private sector outreach has been in our development education, and I would very much appreciate being able to put that into the record.

Senator Dodd. Please do. Absolutely.

Without objection, it will be done.

[The information referred to appears in the appendix.]

Senator Dodd. Senator Evans mentioned as well the ROTC notion and you talked about the problems with younger Americans. Obviously we arbitrarily choose ages. As we all know, there are cases where there are 17-year-olds who have far more maturity than people twice their age. But, obviously, one must set standards to apply.

The idea that has been raised, however, and there has been legislation from Senator Matsunaga and others regarding the establishment of a Peace Academy, has been supported in the past by the Congress.

Certainly I recall back 20 years ago, when the Peace Corps was still in its infancy, that the demand was already there for people who had real expertise.

I was trained, by the way, to raise swine. I was an English major, and I was, of course, eminently qualified to move in that particular arena. [Laughter.]

In fact, in my training program, my sow killed all her piglets. I was horrified. But they didn't know that in the Dominican Republic when they sent me off then to train these people as the knowledgeable American in the subject. [Laughter.]

Obviously, one of the difficulties in talking about our scholarship programs is that they come afterward for people and a forgiveness.

It would be interesting to know if we might try something where people went in, instead of in the form of an ROTC program, with an idea that they were going to be working in rural community development areas—not that you would major in a particular area, but that you would develop skills during those 4 years, so that upon graduation, there would be a commitment of service with far more preparation than those of us who came out of college in June and went off for a week into a preparation program. Mine was in Philadelphia, and then I was in Puerto Rico for 13 weeks for language training, and then I was sent off to the country. I know that this has changed a bit today.

Has any thought been given to that at all?

Senator EVANS. In fact, that is just what I had in mind.

Ms. RUPPE. Very much so.

Senator EVANS. If you add language to that, you would be far ahead in language.

Senator DODD. Yes, that is what I am thinking of, language as well as skills, real language training.

Ms. RUPPE. Father Hesburgh has definitely presented this challenge. He challenged, first of all, at our Memorial Day service at Arlington, where we honored our 199 volunteers who died in service, he presented this challenge, saying that students at Notre Dame had asked why is there not an alternate path. I mean, we know that $5 million is spent on our campus every year for ROTC. Why isn't there training for we who would like to step in another path of peace?

He has thrown out this challenge, and it is very much modeled on that, that you would go, you would compete, like for ROTC, except that this would be peace training, peace through development; and they would take languages and the thought is in their junior summer to go to Appalachia or to areas in our own country—after all, development needs are all the same. Or, if we had the possibility of sending them overseas, to work with a volunteer for that summer, or whatever. Of course, then I always tell the returned volunteers that we would send you to a different country than the language we taught you. [Laughter.]

Senator DODD. That's normally the way it works.

Ms. RUPPE. Just a little note of levity.

We think that it has a great opportunity and that it would really open Peace Corps service to people who have been unable to apply otherwise because of their economic backgrounds. It definitely would help with minority recruiting, which we feel is a very serious issue, a continuing issue with the Peace Corps since the sixties, and as we now are seen as the training ground for the State Department, for AID, for international finance, for international agriculture and international forestry, we think if we did have that capability, we could also target it in the scarce skill areas, where we do not fill the requests that we have from overseas.

If we could train an English major to raise pigs, it is obvious, after 25 years of experience, there is no end to how we could train English majors. [Laughter.]

Senator **Evans**. I hope they have more success with their pigs. [Laughter.]

Senator **Dodd**. Needless to say, I would immediately have moved into some other area when I was there.

Again, regarding language, we have so much difficulty in getting people to stick with languages, let alone in high school, but certainly once they have met their basic language requirements for the degree, they just move on.

It is just mortifying. I don't know what other word to use. Imagine what it is like. My Spanish is not bad. It is not as great as my colleagues think. They think it is great because they do not understand it at all. But if truth be known, it is a campesino, a real rural, Spanish. But I have literally had applause from the press corps in countries where I have responded as a Member of the Senate to questions in Spanish, just in answering questions. They were so taken with the fact that an American official could speak their language, that they applauded. This is mortifying in a sense because it should not be such a rarity that someone can speak the language in another country.

So I think it would really be an inducement for young people to study in the language area, more than just an academic exercise, where they can read the literature or prepare for a vacation, but to really get into it. They are studying the culture, the history, the customs of a nation or a region in which they would look forward to serving. It would seem to me that their motivation would be remarkably higher and we would be doing a tremendous service to the host countries that want people who have some real expertise. You would still get them at the age where enthusiasm and idealism are at their height.

I would like to see us work on something like that. It would be a wonderful legacy to you, Madam Director.

Ms. **Ruppe**. It would be wonderful.

We do hope, through the Stanford conference, to produce a white paper. The university and college presidents did agree that they definitely want to be behind this. They see great opportunities. So that should be finished within a few weeks.

We would be happy to get that into a delayed record or to present it to you.

[The information referred to appears in the appendix.]

Ms. **Ruppe**. Another thing is this. A lot of Americans do not realize that we train in over 200 languages. Many of our volunteers have to learn two languages. If you go down to Guatemala, you might learn Spanish; but if you are up in the Alti Plana, you are going to have to learn the local Indian dialect. In Mali and most of the African nations, we have volunteers who not only have to learn French, but then they learn Mandinko, or Hausa, or whatever else.

So a program like that, which would give them a basic French or Spanish, would be very helpful. In the Philippines alone, we train in 80 different languages.

Most people really do not understand until they get into this what a complex program this really is, to really train. And then, when you think that half of our volunteer force leaves every year, we are training a whole new group. That, coupled with the 5-year rule, which had 30 percent of management—which, thank goodness has been adjusted, so we now have some capability of having some continuity and ability to keep experienced people to support these volunteers—all of those moves again have us right at the edge of this incredible ability to be more effective. But, as we all know, we cannot do it with smoke and mirrors.

Senator DODD. I agree.

Senator EVANS. That is interesting. With a volunteer who is someplace for 2 years, I presume after 2 years that that was total immersion in the language. They get pretty competent, at least in campesino Spanish or in the village jargon or wherever they are. But that is a whale of a big head start in language competency.

Do we keep any records at all of returned Peace Corps volunteers, just in terms of their language capacity, almost as a bank to draw on? If we ran into a real problem somewhere, we would have a heck of a time finding sufficient numbers of people who spoke languages that we might find very useful.

Ms. RUPPE. That is what has been so wonderful about the 25th anniversary year, having been such a catalyst to groups. You will hear more about this from other witnesses, about returned Peace Corps volunteers.

There is a national council, which is keeping good records now. There is a newsletter which they have. There is a very active group here in Washington, DC, under the leadership of Roger Landrum.

When we approached our 25th anniversary year, we thought should we talk about the untold story of Peace Corps, what Peace Corps has brought back to America, and that is, when you are talking about language skills, every private voluntary organization is 50 to 70 percent returned volunteers. They have the language. So we know where those language skills are.

In the State Department, there are over 1,000 returned Peace Corps volunteers. Peter McPherson served in the Peace Corps for example. We know where those language skills are.

But I think the National Council of Returned Volunteers will give the country a far greater capability of knowing where these language skills are.

Senator DODD. You know, it is very expensive for the State Department to train someone in language skills. You may want to inquire of Secretary Shultz about whether or not they would be willing to reimburse the Peace Corps when they recruit former Peace Corps volunteers who already have the language skills. [Laughter.]

You are saving them a tremendous amount of money, and this could be a reimbursement to you for that.

Ms. RUPPE. I think that is an excellent idea. Could you write me a letter on that? [Laughter.]

Senator DODD. I'd have to wish you good luck on that. You write the letter, I'd say. [Laughter.]

Senator Evans. Just one more earmark, right, Mr. Chairman.

Senator Dodd. Exactly, just one more earmark. [Laughter.]

It was actually Gerry Connolly of our committee staff who suggested that. I did not suggest that for the record, I want you to know. [Laughter.]

Senator Evans. We had testimony from Voice of America not long ago, and they told of terrible problems in trying to get people who have sufficient language capacity to fill the airwaves with some of the languages they would like to get to. Of course, those are areas where we don't have any Peace Corps volunteers, such as some of the Asian republics or other places in the Soviet Union. They say it is simply impossible to find people who can speak those languages.

Ms. Ruppe. Do you think Mr. Wick might donate some training money to the Peace Corps?

Senator Evans. Well, he has more money than the State Department. [Laughter.]

Ms. Ruppe. We would be happy to train them for the future. [Laughter.]

You are absolutely right and have hit it on the head. We do train and we have a proven track record. So let us hope that we can do more of it.

But, again, that is where you see the signs are so much more encouraging for the next 25 years, because you have the overseas leaders saying "Yes, this is what is needed," and you have university presidents and the Governors saying "We need international literacy." There is your concurrent resolution, Mr. Chairman, talking about language.

If we can just move forward from this moment, that is my hope. I know this committee has always been so supportive. We are all going to need to lean on the other committee.

Senator Dodd. Yes.

There is one last thing that I would mention. Senator Evans mentioned the Iron Curtain countries. I know there has been an effort there.

Is this an ongoing effort. I met the other day with one of the members of the politburo from Hungary, one of the highest ranking, in fact, where there is an interesting relationship that is developing between the Reagan administration and with Hungary and with other Eastern bloc countries—in fact, far better than with any previous administration in some time. There has been a real effort.

Do we constantly bring that up in any way? Or is the reaction that it just a bad idea to raise with these countries?

Ms. Ruppe. I remember a group of young State Department people who came to me one day, all excited about Russia. They thought somebody was going overseas and could they ask. I think they called immediately when they returned and said "No, no, don't mention it."

But it is very interesting. A good friend of Jack Burgess, who is sitting next to me—Jack is our Director of International Operations—a good friend of his went off to be the Ambassador to Czechoslovakia, Ambassador Niemczyk. He was very interested in talking along those lines.

I know that Ed Derwinski has always been interested in would there be some possibility in Poland. Peace Corps was always meant to be all around the world. That is why we are always looking and thinking of exchange programs. There should be all different levels. If you are really going to get countries interested, you have to make sure that you are responding to their needs.

Senator DODD. Well, was that proposal raised? Do we bring that up all the time?

Ms. RUPPE. We do not have the money to do it. We have turned down for 3 years the request from the Ambassador from Chad, which is the least developed country hardest hit by the drought in Africa. I have not felt right strongly or aggressively pursuing countries that are far better off.

Again, you always go back to the budget.

Senator DODD. Yes.

I think of the case of the Nicaraguans. The Sandinistas really played fast and loose with us back in 1979. There was a real effort there. Ambassador Pezullo at the time felt the Peace Corps was going to come back in in that situation, and they delayed always for some bureaucratic reason. They finally decided that they were not quite interested.

I always thought this is the kind of thing we should constantly raise with them. They always reject it, and that is interesting. But you may be right. There are other countries that are seeking it.

Ms. RUPPE. Well, if we received the budget, we would be knocking on Mr. Niemczyk's door once a week.

Senator DODD. Yes.

Last, regarding the 25th anniversary, I regret that I could not be there for all of the celebration but I was there for part of it. It was a wonderful experience, a delightful experience. I was delighted to see other people there with grey hair and bodies that were taking on different shapes than they had 20 years ago when they were friends of mine.

I am looking forward—and hopeful of being able to do it—to addressing the 25th anniversary celebration in the Dominican Republic, which is where I served, of course.

Ms. RUPPE. Yes, in June.

Senator DODD. In June. I hope to get down there. It ought to be a fun weekend, to go back up to my village.

Did we get more applications as a result of the anniversary? Did you find that that activity generated more public interest? Did you see an increase in applications at all as a result of the publicity surrounding that?

Ms. RUPPE. We have seen a lot of increase in inquiries. I have to say that I think there would be an increase in applications. It does not show. We have stayed at about 13,000 to 14,000. But a lot of that is because we are really so discouraging. It is very depressing for an American to be turned down from the Peace Corps. So if we really see a background that we simply know cannot compete with all the rest that are in the file, we really discourage them from applying. I think it is very disappointing for an American to be turned down for service, and we feel very badly about that.

So, the long, convoluted answer that I usually give is that our applications are still 13,000 or 14,000 for 2,700 places and I think there would be far more if we encouraged more people to apply.

Another thing you have to realize, when you are talking long range and competitiveness and how are we going to relate to the four-fifths of the people on Earth who live in the developing world, we are strongly encouraging older Americans to serve—11 percent of our volunteers are now over 50 years of age. That is great. It is wonderful. But you have to realize that this means there is even more pressure on younger Americans going in. There are fewer places for them.

So, if you are looking down the road 15 or 20 years, who are going to be the Chris Dodds, the Peter McPhersons, et cetera, of the world at that time?

You have to realize that in a population of 240 million, there are only about 2,000 young people going out a year to get this training. So everybody is losing, and everybody could be a winner.

Senator DODD. The last thing I would raise with you is this. Springtime is coming and the recess will be upon us. Members of Congress will be boarding airplanes and flying to all corners of the globe. I make it a point, wherever possible, as you know, to visit Peace Corps. I find it, first of all, to be a terrific source of information in terms of getting a general feel of what is going on in a country and how the people there are thinking, what they are feeling. You cannot get details about specific things, of course, but a general feel for a country and its people is invaluable.

I would say to you that it is not hard to find out which Members are going where.

Ms. RUPPE. Oh, but it is.

Senator DODD. I would strongly encourage them through their offices, through correspondence, to make a stop or to put on their agenda visiting Peace Corps in those countries. I think it is terrific for the Members to find out about them, what programs they are involved in, to meet even with a few volunteers for a period of time. This can be arranged ahead of time. I just know from my past experience with other Members that I have traveled with that it has been one of the highlights of the trip, in many cases.

I would urge you to do that. I think it is really worthwhile. I found in many cases that people did not know there was a Peace Corps contingent in the country where they were, and did not even think to ask about that particular aspect of U.S. involvement in a country. So I think it might be helpful.

Ms. RUPPE. Well, I think it is a shame that some Ambassadors do not highlight it as much as they might. We certainly always encourage them.

Jan Hinkley really tries to stay very much in touch, and have briefing papers. Actually, it is not quite as easy to find out when people are going overseas, as you might think. Some of the trip plans seem to be rather well kept secrets.

But, at any rate, we do try. We take your suggestion very seriously. Please encourage your colleagues, also, to see us, because we would be more than happy to have them visit. As you say, our volunteers are our best sales people.

Senator DODD. You bet.

By the way, Jan Hinkley does a great job for both sides of the aisle here in working with us.

Ms. Ruppe. We are very proud of her.

Senator Dodd. Do you have any further questions, Dan?

Senator Evans. No. Thank you.

Senator Dodd. We will do the best we can. I do not need to tell you the restraints that we face here.

There are some additional questions. Senator Cranston had some, and Senator Helms has several questions that he has submitted, which I will see that you get. If you could respond to those, I would appreciate it.

We will leave the record open for other Members as well who may have some additional questions so that they can get them to you.

The next few weeks should be interesting. It is not a hard sell. It is not a question of people not wanting to do this. There are some things that people do not want to do. Our problem is what they feel they can do.

We will do the best job we can.

Ms. Ruppe. Thank you very much, Mr. Chairman.

Senator Dodd. Thank you very much, Ms. Ruppe.

We will now hear from our distinguished panel. What I will do is to ask you to approach the witness table. Our panel consists of Mr. William Josephson, who, as we heard earlier from Senator Cranston, is the former General Counsel of the Peace Corps. He is currently an attorney with Fried, Frank, Harris, Shriver, and Jacobson; Mr. Douglas Siglin, former chairman of the Planning Committee for the Twenty-fifth Anniversary of the Peace Corps; Mr. Timothy Carroll, executive director of the National Council of Returned Peace Corps Volunteers; and Ms. Katy Hansen, president of the National Council of Returned Peace Corps Volunteers.

We welcome all of you to the committee.

What I am going to do, with your permission, is for 10 minutes, we are going to give our stenographer, who has been working since about 9:30 this morning, about 5 minutes for a break. Then we will come back and ask you each for some general comments that you may have and will ask you a series of questions.

Again, I apologize for what this has done to your own schedule today.

[A brief recess was taken.]

Senator Dodd. The committee will come back to order.

I am going to wear my anniversary hat for the rest of the hearing.

[Applause.]

Mr. Josephson. We thought you would enjoy it.

Senator Dodd. I love it, and thank you very, very much for it. My apologies for the delay. In addition to taking a break, we just had the former Foreign Minister of El Salvador here and the Ambassador. I have known them for many years. They are only here for half a day and I wanted to see them.

Mr. Siglin. Did they enjoy your Spanish?

Senator Dodd. Well, it was a little "Espanglais," back and forth.

For our order, let us begin with you, Mr. Josephson, and give the other panelists a chance to make their comments, and then we will have a few questions for all of you.

Again, my apologies for the delay. We are honored to have you here with us, someone who has been associated with the Peace Corps virtually since its inception.

It is a high honor to have you before this committee.

Mr. JOSEPHSON. It has been more than 25 years, Mr. Chairman.

Senator DODD. I know.

STATEMENT OF WILLIAM JOSEPHSON, PRESIDENT, THE PEACE CORPS INSTITUTE, FORMER GENERAL COUNSEL OF THE PEACE CORPS AND MEMBER OF THE NATIONAL COUNCIL OF RETURNED PEACE CORPS VOLUNTEERS ADVISORY COUNCIL

Mr. JOSEPHSON. Thank you, very much. It is an honor for me to be here and it is an honor for me to be accompanied by my former volunteer colleagues. As we have a former volunteer chairman, so we have former volunteer witnesses.

Senator DODD. This confirms the conspiracy theory that many people have about this. [Laughter.]

Mr. JOSEPHSON. I think it confirms the fact that we are all doing what we thought we should be doing at this stage in our lives, when we joined the Peace Corps.

I have a statement, as do my colleagues, which I would like to submit for the record. I would just like to touch on a few of the points both in the statement and which occurred during the testimony of Director Ruppe.

Senator Evans asked about whether or not there are records of language training that former Peace Corps volunteers have received. I do not know about the Peace Corps records, but you may remember, Mr. Chairman, that in 1982, the Peace Corps Institute, of which I am president, published this directory [indicating] of former vounteers and staff and we gave you a copy.

Senator DODD. Yes, I have a copy. Given the fact that volunteers seem to move about every year, the problem with keeping it up to date exists.

Mr. JOSEPHSON. Well, actually it is more up to date than you would think. Our studies indicate that it is only about 20 percent off.

Senator DODD. Well, that is good.

Mr. JOSEPHSON. Among the data that we have on tape with respect to the 40,000 volunteers who are in this director—40,000 of the then 80,000—is their language training. We also have a plan now to pool our tape, as I indicate in my statement, with the data resources of the National Council and to create a joint tape which we estimate will then have approximately 60,000 volunteer data in it of the now approximately 120,000. I hope that we will reach agreement among our colleagues that we will continue to keep and collect language skills as part of this information base.

I don't know whether or not the Peace Corps tapes have language skills in them. As you will see from the statement, we would appreciate some help from the committee, if not in legislation, then in language, in encouraging the Peace Corps to share freely its former volunteer data with us as we share ours with it.

I do not know exactly what the inhibitions are, but some people on Peace Corps staff apparently think that the Freedom of Information Act or the Privacy Act inhibits its ability to share that information with us without volunteer consent.

This perplexes me a bit because actually we built our tape starting in 1981, when the Peace Corps gave us the remnants of its ill-kept data, and we built it, incidentally, without a penny of public money. Now, if that could happen in 1981, I don't know why we can't have a more cooperative arrangement on this issue in 1987.

Senator DODD. I know that some former volunteers had expressed concerns about information being compiled, even innocent information, since that data, once it is in the public domain, obviously becomes available. There was some question about whether or not there were rights of privacy or Freedom of Information Act questions and the like that were being raised.

Mr. JOSEPHSON. When we assembled our tape, we did it only on a consensual basis. We contacted each person whose name and other information appears in this directory or is in our tape. We also made it a policy not to permit the tape to be used for any commercial or political purpose and, in fact, if a volunteer does not want to appear in the directory, the volunteer does not appear in the directory.

Senator DODD. Once it is on the tape, though, can I make a request, if not for a commercial or a political purpose, under the Freedom of Information Act to have access to that tape?

Mr. JOSEPHSON. You can have a request, but we won't give it to you.

Senator DODD. Under any circumstances.

Mr. JOSEPHSON. Not for a political purpose.

Senator DODD. I said not for political and not for commercial purposes.

Mr. JOSEPHSON. I think we would consider any charitable, educational use that you or anyone else might consider for the tape. We have permitted, for example, what we call organizations that have purposes which are consonant with the purposes of the Peace Corps or the Peace Corps Institute, including the National Council, for example, to use the tape. The tape was used to notify former volunteers of the 25th Anniversary Conference. We are happy to permit the National Council to use the tape for its own membership purposes. We have let other organizations, like Bread for the World, to give you an example, use the tape.

So we do try to permit the tape to be used in ways of which we think Peace Corps volunteers would approve, which they would feel would be consonant with the purposes of the Peace Corps and of volunteers generally.

I would also like to indicate my, and I think our, very strong support for the 10,000 volunteer goal and for the funds that are necessary.

Senator DODD. Let me interrupt you for one second, please.

For purposes of clarity of the record, does the Peace Corps both own and control the tape, or just owns it and does not control it, or not own it and just control it? What is the situation?

Mr. **Josephson**. The Peace Corps has a tape of its own. We, that is to say, the Peace Corps Institute, have the tape from which this directory was published. The National Council has its own membership tape, and has a tape of everyone who registered for the 25th conference.

The Peace Corps has also asked volunteers who are on its tape if they would permit it to share the information on its tape with us. Some 7,000 volunteers——

Ms. **Hansen**. Nine.

Mr. **Josephson** [continuing]. Some 9,000 volunteers have agreed to do that.

We are, as my statement indicates, the National Council and the Peace Corps Institute are in the process of pooling our 40,000-person tape, together with all the update information—probably another 5,000 volunteers—the council's membership tape, approximately 2,700 volunteers, the 25th Anniversary Conference tape, approximately 5,000 former volunteers, and the tape from the Peace Corps of volunteers who have consented, approximately 9,000 volunteers, into one master tape, which will be maintained by the National Council for the benefit of the Peace Corps and the Peace Corps Institute as well as itself and its local organization affiliates.

Did you want to comment on that, Katy?

Ms. **Hansen**. We plan on maintaining that list, and the National Council is run by a board of directors, 21 members on the board of directors. We are also in the process of making up a set of policies for use of the tape. We want to cooperate with the Peace Corps in helping them build up their list with current addresses also. But we are very conscious of the fact, of the sensitivities of returned Peace Corps volunteers in letting their names be used.

So, in every piece of information that we send out asking for names and addresses for our membership, there is a box for instance, where they can check off that they do not want their name let out to other organizations, and we honor that. That will be built into the data base.

Senator **Dodd**. Thank you. I did not mean to dwell on that, but I thought it was useful information.

Mr. **Josephson**. May we proceed to another subject?

Senator **Dodd**. Sure.

Mr. **Josephson**. I think everyone at this table is very strongly in favor of achieving the 10,000 volunteer goal that has been set by the Congress, and very supportive of Senator Cranston's bill, the letter that you, Senator Cranston and other Senators signed to Senator Inouye, the chairman of the relevant appropriations subcommittee, urging the authorization of the funds necessary in this fiscal year for the next fiscal year to achieve that goal. We are very strongly supportive of that legislation.

It was interesting to me, Mr. Chairman, if you look at the fourth section of my statement. In putting this statement together, I began to think about the boldness and the creativity with which Congress has always approached the Peace Corps. As I recount it in my statement, there is more creativeness in dealing with the Peace Corps than the executive branch has, and there is a long list of congressional initiatives with respect to the Peace Corps, of which the 10,000 volunteer goal is only the latest.

We will do everything we can to assist you in persuading other Senators and Representatives to support this goal, which is really in the great tradition of the Congress, which had the idea for the Peace Corps originally, which protected it from being folded into the foreign aid program, as even President Kennedy wanted to do. It has done so many things over the years to preserve the independence and integrity of the Peace Corps.

If the 10,000-volunteer goal is endorsed, the question of course then arises, as was discussed earlier, what the additional volunteers should be doing. I was very struck by the extraordinary amount of shared creativity in terms of programming ideas between yourself and Director Ruppe during your exchange. We all think, here, that much needs to be done to restore to Peace Corps programming overseas the kind of boldness that characterized it at its inception. We are concerned, for example, by the small number of volunteers in Central America.

Now, it has increased substantially, as I indicate in my statement, from the 600 or so at the time the Kissinger Commission recommended that it be increased by fivefold or sixfold. It has been increased by about threefold so that today, there are approximately 1,600 volunteers in Central America. But, 1,600 is not 3,000 or 3,600 or 4,000. We think that this is an area of the world where the presence of Peace Corps volunteers could make a great contribution.

I just want to say, as I indicate in my statement, that my friend, Bill Moyers, came back from Central America recently and said to me, in private conversations between us, that the Central America he saw could use 50,000 volunteers, and use them extremely profitably.

Of course, if you think about the rest of Latin America, a region that I know is special to you, where there used to be Peace Corps programs in virtually every country except Paraguay and Argentina, today I believe there are Peace Corps programs only in Ecuador and Paraguay. This is a far cry from the policies that the Alliance for Progress represented at the time you served as a volunteer in the Dominican Republic.

We have other current crises. We have the contribution the Peace Corps could make with the Front Line States and their efforts to decrease their dependence on South Africa in their struggle against apartheid as the United States tries to figure out how it can relate to changed circumstances in Southern Africa and all of the complications that this raises. It seems to us that the Peace Corps is a marvelous vehicle to try, for example, to develop some programs with the Southern Africa Development Coordination Conference in areas such as agriculture or education.

Another enormous need in Africa today is for volunteers to help with the beginnings in Africa of the Green Revolution, which has been so successful in parts of Southeast Asia and Asia.

As part of my statement, I have attached a recent article from The Economist, which talks about Dr. Norman Borlaug, a Nobel Prize winning American who created many of the Green Revolution's seeds, starting at age 73 to work in Africa. It seems to me that Peace Corps volunteers should be linking up with him in his efforts to spread modern agricultural techniques throughout that continent.

We also support the provisions in S. 842 which call for increased third purpose cooperation between the Peace Corps and the former volunteer organizations. This has been one of the developments of the last 5 years, as with the publication of the directory and the establishment of the National Council and the holding of two national Peace Corps conferences, the 20th anniversary and now the 25th anniversary, which have captured the imagination of the former volunteer community.

I think my colleagues, Mr. Siglin, who was principally responsible for the creation and management of that conference, and of Ms. Hansen, who is the newly elected president of the National Council, and of Mr. Carroll, who is the first full-time executive director of the National Council, will want to speak to these third purpose issues.

[The prepared statement of Mr. Josephson may be found in the appendix.]

Senator DODD. You are anticipating all of my questions. The only one you have not addressed, in addition, was my fourth question to you, and that was to comment on the third goal of the Peace Corps and where we are in relationship to that today.

Also, I would be curious, if you might address the question of the relationship in numbers. I should have gotten into this a bit with Ms. Ruppe and I failed to. Would you discuss the relationship between your generalists, the A.B. generalists, as we were affectionately referred to, and your specialists, what the mix ought to be in your own mind.

I'll tell you, frankly, I have a more traditional view: When how the wheel is not broken, it runs well. I know the demand is always great for more specialists, but I always was uneasy about Peace Corps becoming a miniaid program and losing the essence of its purpose, its card, whatever you want to call it. I know there is always a great debate about that, and I let you know where I come out in that debate. I think that has been the unique and appealing quality of the Peace Corps in many ways, that lack of necessarily being identified as a specialist program.

But, nonetheless, I would be interested in hearing the views of all four of you on that particular point.

Mr. Siglin, you have a prepared statement and it will be included as part of the record. But if you want to comment at all on that third goal and on anything else, I would be glad to hear from you.

STATEMENT OF DOUGLAS SIGLIN, CHAIRMAN OF THE RETURNED VOLUNTEER PLANNING COMMITTEE, PEACE CORPS' 25TH ANNIVERSARY NATIONAL CONFERENCE

Mr. SIGLIN. Thank you, Senator. I do have a prepared statement, and I do appreciate the opportunity to be here.

My name is Douglas Siglin. I was a Peace Corps volunteer in Zaire for 3 years. That is a huge country in Central Africa which the great majority of the American population cannot identify and perhaps has never heard of.

About 18 months ago, I volunteered to lead a National Committee of Returned Peace Corps Volunteers in putting together our own celebration of the Peace Corps 25th anniversary. Our group felt strongly that the silver anniversary of the Peace Corps was important to mark. But we did not want the celebration to be just a reunion, or a party, or a retrospective, but, rather, a conference to seriously discuss the world and the appropriate role for Peace Corps and for returned volunteers to play in it.

With the help of some good friends, including Mr. Josephson, early on, and cooperation from the Peace Corps, we did pull off the anniversary celebration for more than 5,000 volunteers. I know that you participated in it and we appreciated that very much.

Given the lateness of the hour and the eloquence of Mr. Josephson, I am not going to say very much. I would just say that I feel very strongly that the Peace Corps is a tremendous resource for the developing world, as well as a tremendous resource for this country. The programs that it is doing in the Third World are generally excellent. The programs that it is doing domestically have never been given the attention they deserve, and I should hope that in the next 25 years or in the next 2 years, more attention would be paid to those kinds of programs.

Finally, let me say that because I believe the Peace Corps is a tremendous resource for both the developing world and for this country, I think it should be allowed to grow significantly. This is a budget problem, of which we are all aware. But, nonetheless, the Peace Corps is inexplicably small for what it could be.

I understand that every year, thousands of Americans apply to become Peace Corps volunteers and are turned away for lack of funds to support them. Because of this, the developing world misses out on their assistance, and they, themselves, miss out on an important kind of education. Also, their communities miss out on some special leadership qualities once they get home.

To say that the United States gets a high return on every dollar invested in the Peace Corps is to risk real understatement. Where else can the American people spend such a paltry sum of money and get in return better, more productive lives for people in desperate parts of the world, undying goodwill for America and our value system, a more educated, sophisticated, and motivated to serve group of people returning to public and private life, and an education in how better to compete in the changing world.

I understand that with the passage of Gramm-Rudman-Hollings, the Congress is committed to more or less a zero-sum funding exercise. But Gramm-Rudman-Hollings also encourages the Congress to set priorities, and I should say that the Peace Corps deserves a far higher priority. Just because it is small now does not mean that it should be forever locked into smallness by the iron rule of percentages.

It is more than a good idea. It is a good buy. It is, perhaps dollar for dollar, the best buy that we have.

Everyone believes that cost-effective programs should be encouraged, and the Peace Corps is one of the very best.

With that, I would be happy to answer any questions you might have.

[The prepared statement of Mr. Siglin may be found in the appendix.]

Senator DODD. Thank you very much.

Ms. Hansen.

STATEMENT OF KATY HANSEN, PRESIDENT, AND TIMOTHY CARROLL, EXECUTIVE DIRECTOR, NATIONAL COUNCIL OF RETURNED PEACE CORPS VOLUNTEERS

Ms. HANSEN. Thank you, Mr. Chairman, for allowing the National Council to come and appear in this forum. Returned Peace Corps volunteers all across the country are concerned about the Peace Corps and the future of Peace Corps.

We have two proposals in our prepared statement. One of them is support of the 10,000 volunteers in the field and, therefore, funding of the Peace Corps at the level of $146 million.

Rebuilding the Peace Corps to 10,000 volunteers in the field has been mandated by Congress. The National Council strongly endorses this goal.

Our second support statement, the second idea that we want supported by Congress, is support for the third goal of Peace Corps. The National Council is very interested in the third goal. It is our primary objective: to spread the understanding, to all Americans of Third World countries, from which the Peace Corps volunteers are returning.

The Peace Corps continues to be the most effective tool we have ever discovered to support our ideals overseas.

Funding at $146 million is required in order for Congress to live up to this goal.

Also included in the Peace Corps Act, the original Peace Corps Act, is the third goal of Peace Corps. We urge Congress for specific funds, earmarked for bringing the world back home, our own motto of the National Council. We hope that it can be included in this year's appropriation.

Once again the National Council supports the Peace Corps and increased funding and the mandate brought by Congress. We also would like to have third goal funding for the Peace Corps so that they can help in this goal.

As far as your question relative to specialists versus generalists, I would kind of like to respond to that.

In emphasizing the specialist aspect of Peace Corps volunteers, I think we are emphasizing the first goal of Peace Corps. But we should not forget about the second and the third goal of Peace Corps. Many times I think it is the generalist rather than the specialist that is able to handle those two goals better than perhaps the specialist can.

So, in evaluating, for instance, Peace Corps volunteers in the field, I think it is important for us to look at all three goals rather than just the first.

Senator DODD. Bring on the English majors.

Ms. HANSEN. Right.

Senator DODD. Just don't let them raise pigs. [Laughter.]

Ms. Hansen, have you completed your statement?

Ms. HANSEN. Yes.

Senator **Dodd**. Mr. Carroll.

Mr. **Carroll**. Thank you, Mr. Chairman. It is a pleasure to be here. We have prepared a joint statement and Ms. Hansen has already spoken for us. I only want the Chair to focus on the fact that 120,000 returned volunteers are all over the world. In fact, the numbers stagger. There are still for instance, 40 volunteers who have never come home from the Ivory Coast. That is a figure we have. The network is out there. It is just a question of tapping into it.

We have a number of visionaries who are close to us, who have wonderful plans for this network, but getting from B to Z is not going to be a problem. Right now, in the building stages, getting from A to B is. We need outside funding.

We already have good projects mounted, for example. There is a high school awareness program that has been started in New York City, where inner city students are able to compete, writing prizewinning essays that allow them to visit a Third World country and actually stay with a Peace Corps volunteer. That is all accomplished by returned volunteers.

We also plan to have an international visitors network. We have a speakers bureau already in place. There are nearly limitless numbers of ideas on how this third goal can be achieved by the constituency that is out there.

But we can only be as strong as the Peace Corps is. Our alumni come, every year, from this fine organization. So we are urging this Congress to appropriate the money that is being quoted in the figures for 1988. We hope that you will act on S. 842, which does speak to that as well.

So, through the rebuilding of the Peace Corps organization, we can continue to bring the world back home—the motto of the National Council of Returned Peace Corps Volunteers.

[The prepared statement of Ms. Hansen and Mr. Carroll may be found in the appendix.]

Senator **Dodd**. Thank you both very much for your statements.

The issue was raised earlier about the third goal. I know that Mayor Bradley and former Governor Lucey are two specific examples that come to mind—I am sure there have been others—of where returned Peace Corps volunteers have been called upon. This was prior to the time of any available information as to their existence.

I think in both the examples I have just cited, the two public officials in a public way called upon former volunteers residing within the State or within the city, as in the case of Los Angeles, to come forward to assist in a volunteer program. This goes back some time, now.

Mr. Josephson, I think you are probably familiar with this.

There was a tremendous response to that call. I don't know where else that has been done. This was specifically calling upon returned Peace Corps volunteers in those areas to participate in some voluntary programs.

Do you recall anything about that?

Mr. **Josephson**. I had hoped that our colleague, Roger Landrum, another former volunteer who heads an organization called Youth Service America, which is a clearinghouse for information about and technical assistance to these burgeoning, local-State-county-college-high school voluntary service organizations, such as the one Mayor Bradley started in Los Angeles, could be here to talk about those. This is one of the really tremendous untold stories about what is going on at the grassroots level toward national service in the United States.

It is very interesting to me. I was unaware of this until I was catching up on my Congressional Records coming down on the plane today, that on St. Patrick's Day, Senator Pell introduced S. 762, a bill to provide for a voluntary national service and education demonstration program. In this bill, he specifically calls upon the Peace Corps to assist that program by providing technical assistance in the recruitment and training of volunteers and staff.

This is a very creative idea for the Peace Corps to make a contribution toward local-national service efforts in the United States by sharing its experience in selection and training.

Certainly, former volunteers, scattered throughout the country, could be called upon by the Peace Corps and by these local service organizations right in the communities in which they are working to provide that kind of experience.

Senator Dodd. You know, these hearings are ostensibly on the budget, but we use them, obviously, to get some additional ideas.

I had mentioned to Sargent Shriver that Senator Cranston, as you heard me say earlier, was very gracious enough to let me take over jurisdiction of this subcommittee, and to try to put something together outside of the context of the budget hearings, where we might be able to have a good, full day in which to go over some of these ideas, to get people in and maybe just have a set of hearings on just the third goal.

Too often they just get thrown into the context of other ones. We might really want to bring some people in to examine how best to do this.

I have listened to this discussion for the 12 years that I have been up here one way or another, and good people with good ideas have come up. But they seem to reach a peak and they kind of fall off. This is aside from what you people do, which is terrific. But, as far as the Congress getting involved, I think we can really do more to see that this information becomes more available or think of ways to make that information more available to local and State governments and private organizations and the like. This ought to be examined more fully.

I will tell you today that I will schedule and plan at some point a day in which we can really put together a full day of work on this subject.

Mr. Josephson. We would be delighted to work with you on that.

Senator Dodd. Maybe we can do it informally. We do not have to do it as a formal congressional hearing. But we will examine that.

Again, I will take all of your statements and see that they are made a part of the record. We will do our best on the funding.

As I said, these are not easy days. With everyone demanding pieces, everyone wants to spend money and no one wants to raise revenues to support anything we do.

Mr. Josephson. I understand that point very well. I am sure you understand the other arguments as well, or better, than I do.

Senator **Dodd**. Yes, I do.

Mr. **Josephson**. I think we have to keep in mind that from the period of the late sixties until quite recently, the Peace Corps budget level was held at approximately $100 million. With inflation and other factors, this really resulted in a serious compression of the Peace Corps, from approximately 15,000 volunteers to less than 4,000. So, while it may be true that over the last few years, the Peace Corps has received a substantial percentage increase in funds, this is a percentage against a very low base, badly damaged by inflation. And the Peace Corps could be viewed in terms of priorities. As my friend, Mr. Siglin said, it is just struggling to catch up, still, hardly being raised to some dizzy new height. It is still struggling to reach the level of two-thirds of its size in the 1960's.

Senator **Dodd**. As I have said, you are preaching to the choir in a sense here. We have done far better. I know this is all in relative terms. But when you consider that there are many who still perceive the Peace Corps as some sort of leftwing idea that a bunch of wacko Democrats came up with, it has had to suffer from that misconception for years. I think it is worthy to note that it was under a Republican administration over the last 4 or 5 years that we have had the largest increases.

While I am critical of the administration in a number of areas and I know it has not been the unanimous view of everyone in the administration that they should have had these increases, the facts are that this administration has made it possible for us to increase the funding. It is not just because of what we have done here.

Mr. **Siglin**. Senator, for the record, I would like to relate a comment that I heard from a returned Peace Corps volunteer this week. He said that among some of his friends, the Peace Corps was generally regarded as a conservative plot to take idealistic, liberal young people, rub their noses in some dirty reality, and turn them into conservatives. [Laughter.]

Senator **Dodd**. You see?

Mr. **Siglin**. I think it perhaps has that effect.

Senator **Dodd**. Don't tell the leadership. [Laughter.]

Seriously, I don't want to end on that note, but would just say that I disagree with your friend.

Again, let me thank you all for being here today. We will get back in touch with you for further hearings.

Thank you for your patience as well.

This subcommittee will stand adjourned until further call of the Chair.

[Whereupon, at 5:22 p.m., the subcommittee adjourned.]

APPENDIX

U.S. AID TO THE DEVELOPING WORLD: A FREE MARKET AGENDA

Restoring Purpose to American Foreign Aid*

Nicholas N. Eberstadt

American foreign aid policies must be made more effective. Their effectiveness cannot be increased, however, without an appreciation of the larger purposes to which they are to be applied. In principle, these purposes are clear. The first is to augment American political power throughout the world. The second is to support the postwar liberal international economic order which the United States helped create and is committed to preserving.

These purposes are closely related. With its particular political values, the U.S. can achieve greatest security under a world order which accepts as legitimate the free international flow of information, trade, technology, and capital; which does not question the right of people to act to improve their material well-being; and which embraces the rule of law and the propriety of enlightened governance. Conversely, the use of American power to protect a system which offers all nations and peoples opportunity—unmatched by alternative arrangements—to participate in broad-based material advance is not only a strategic goal, but an objective dictated by U.S. moral and humanitarian concerns. The liberal international economic order America helped create remains the best broad hope for the world's poor and disadvantaged peoples. The U.S. should use its power—military, financial, moral—to protect it.

Just as the wedding of moral purpose and international power is fundamental to Americans' view of their own nation, so too should it govern the country's approach to foreign aid. In thinking about foreign assistance, however, it is best to distinguish three separate concerns.

Humanitarian Aid

As current events in Ethiopia show, much of mankind is still stalked by the prospect of famine and sudden, unexpected, life-threatening disasters. Both private voluntary organizations and the American governmental relief apparatus have developed impressive expertise in saving lives in such emergencies. These efforts have demonstrated that it is possible to prevent abnormal rises in death rates so long as donors receive early warning of the impending crisis, and the government of the territory in question does not obstruct rescue efforts.

---

*The author would like to thank Gifford Combs and Clifford Lewis for many hours of enlightening discussions on some of the topics addressed in this chapter.

The American people consistently have proved that their compassion for those in distress abroad is mitigated neither by the ideology of the government of the stricken territory nor the relationship of that government with the U.S. In the early 1920s, for example, private donations funded Herbert Hoover's American Relief Administration as it worked in Soviet Russia to save, according to George Kennan, the lives of "several million children, who would otherwise have died." Today, Americans are donating millions of dollars to support relief operations in Marxist-Leninist Ethiopia; these contributions mounted spontaneously after information on the famine was released. Ethiopia's ruling *dergue*, like the Soviet Politburo, is systematically hostile to American purposes in the world, but this fact did not constrain Americans' charitable impulse. Americans' commitment to humanitarian relief is moral, not political, in derivation. It represents a basic commitment from one people to another, and is based on the belief that the sanctity of life creates a transcendent obligation to act to save others.

American policies toward humanitarian aid should better reflect these beliefs. Doing so will require changes in the posture and the actions of the U.S. government. The official American response to the disasters of imperiled peoples should not be compromised by the hesitation and political calculation which, by some news accounts, affected the early U.S. efforts in the current Ethiopian crisis. There should be no doubt on the part of U.S. governmental agencies that Americans feel it is unseemly to submit endangered populations to trial by *realpolitik*.

Washington should make a more encompassing and articulate commitment to help populations imperiled by famines and other temporary emergencies. In a broad sense, such a policy should commit the U.S. unreservedly to the rescue of those whose lives are threatened by emergencies and disasters—irrespective of their government's attitude toward the U.S., toward human rights, or any other consideration. The only condition that Washington should place on such aid is that local governments not obstruct the efforts of outside agencies to act in the afflicted areas. This broad commitment to famine and emergency relief might help save millions of lives in stricken regions that otherwise would be lost in future years. It will also be obvious that great loss of life from famine and disaster would only occur under governments which refused to let America make good on its humanitarian commitment to the people of the world.

Expanded humanitarian commitment would require several important changes in current government relief policies:

1) *The priority accorded emergency relief within U.S. foreign aid policy must be upgraded substantially.* At present, only about one percent of total foreign aid budget is allocated to emergency assistance. Even with the "Food for Peace" or P.L. 480, less than 10 percent of program resources in recent years have been earmarked for famines, emergencies, and disasters. Governmental relief capacities also need to be improved. AID's emergency relief staff is good, but too small. In expanding it, the foreign aid officials might learn some useful lessons from the Federal Emergency Management Agency.
2) *Delineate and divide more clearly the roles of government and nominally private volunteer organizations (PVO).* In some ways, there is little "private" about PVOs for they typically receive a great part of their funds from the U.S. government; some PVOs, in fact, depend on Washington for as much as 80 percent of their funding. This dependence very often reduces the effectiveness of PVO efforts.

   However, as a general rule, PVOs have more flexibility than official U.S. relief efforts. They can also be considerably more cost-effective. On the other hand, there are some emergency functions and services which the U.S. government can undertake more credibly than nongovernmental groups. Finding the proper balance of "private" and government action on a life-saving mission should be determined empirically, based on "comparative advantage." As a general rule, however, the government should avoid policies that displace voluntary charitable donations, since this would only undercut the basic humanitarian impulse upon which U.S. policies ultimately rest.
3) *Improve the early warning systems that may alert countries to approaching famines and disasters.* Aerial surveillance information of the sort collected by the U.S. Department of Agriculture for its global crop assessment and the Commerce Department's meteorological capabilities could help in this regard. Better communication between private groups and government organizations and reducing barriers created against the international news media in different locations also could greatly strengthen the world's "ground based" early warning systems.
4) *Preposition emergency relief stocks and trim bureaucratic red tape, particularly requisitioning and payment procedures.* This will cut substantially the lead times in attending to emergencies. The Reagan "Food for Peace" reforms announced last July were an appropriate step in this direction.

An increased American presence in the field of famine and emergency relief raises an important question and creates an important problem.

The question concerns the appropriate role for international organizations and institutions—particularly such groups as the International Committee of the Red Cross and the U.N. High Commissioner for Refugees. These groups, under some conditions, have proven highly effective in saving lives during emergencies. It is important to note that such institutions also carry credentials of impartiality and internationalism (despite critics' charges that they have not always lived up to these ideals). Since it is in the interest of the U.S. and stricken peoples that relief efforts be international and politically impartial, Washington should encourage international coordination and cooperation in relief activities. At the same time, the U.S. should expect that such relief efforts not be politically exploited or financially mismanaged.

If the United States makes it clear that it is eager to cooperate with others, but that it could "go it alone" if political or other difficulties prevent international institutions from contributing effectively to relief efforts, it would demonstrate its commitment to both internationalism and endangered populations. Whatever the U.S. does, it must ensure that the aid it provides actually reaches those in need and is not diverted or squandered. In some emergencies, therefore, the U.S. may find it appropriate to use its military resources to transport aid to crisis areas and to distribute the aid to those in need.

The problem concerns the risk of "moral hazard"—the danger that expanded American famine and emergency relief commitments may lead governments in less developed regions to ignore the distress of their populations, or to create outright famine conditions. The risk of moral hazard can never be eliminated completely from any humanitarian commitment, but it can be minimized. One way to do so is to ensure that "emergency relief" is temporary. The history of the U.N. Relief and Rehabilitation Administration 40 years ago gives some insights into how such strictures may be made effective.

A second method to reduce this side effect of aid is through international moral pressure. This is not always an effective means to force governments to conduct themselves decently; its potential, however, should not be discounted. Publicizing in various forums state acts which cause needless deaths and distress can shame even the most seemingly hardened governments. Such information may also affect a country's prospects of obtaining additional international aid. Free and unimpeded news reportage is essential for this process. International organizations may also play an important role as impartial observers in conferring opprobrium on offending governments. Their role as impartial observers carries weight and might, through reforms, be made to carry more.

Development Aid

Redirecting American "development" policies to the task of encouraging self-sustaining economic growth will require major changes in the operation and direction of government agencies currently charged with promoting economic advance in less developed countries.

Within a liberal international economic order, it is not the volume of concessional foreign aid that sets the ultimate constraint on a less developed nation's pace of economic transformation and material progress. Instead, the limit will be set, in practice, principally by the recipient government's policies, administrative competence, and willingness to take advantage of the opportunities afforded by international markets in goods, services, and finance.

Apart from their congressional budget presentations and their election-year pronouncements, current American "development" policymakers seem to pay strangely little attention to the policy environment in less developed countries, or to the resulting "climate" of economic incentives and disincentives.[1] Judged by actions rather than words, a principal thrust of current development assistance policies would seem to be the encouragement of international transfer payments to raise living standards through social spending. The rationale for such a policy is to build "human capital." As with any other form of capital, however, the rate of return depends on the manner in which it is put to use. To a distressing extent, the social programs today justified under the rubric of "human capital" do not create "human capital"; instead, they fund unproductive public consumption in its name. Such transfers do not encourage self-sustaining growth in most recipient nations. To the contrary, they tend to distort growth processes and economic structures. Moreover, concessional budgetary transfers have often had the effect of overvaluing exchange rates and thereby reducing recipient nations' abilities to compete in, and learn from, the world economy. The consequences of such distortions on the sustainability of emergent structures and the prospects for the poor within them are predictable.

As currently directed, the Agency for International Development (AID) conducts a foreign policy that often varies substantially from that of the State Department. This can be seen in AID rules which systematically circumvent the intentions of U.S. human rights legislation, "policy determinations" which undercut State Department positions toward the U.N.-promoted "New International Economic Order," or initiatives which either displace private economic activity or tie aid to the purchase of specific American products in a variant of mercantilism. This discrepancy reflects apparent belief, often embodied in AID documents and official statements, that the international economic order which the U.S. officially supports cannot work for the poor—or should not be allowed to do so.

---

[1] The story of AID's disappointing performance during President Reagan's first term of office cannot be fully developed in this short, prescriptive chapter. Suffice it to say that elements of this story include the steady subordination of policy questions to public relations concerns, a reluctance or indifference to the restoration of policy competence within the agency, and a drift in direction which contradicted many of the bipartisan objectives the President, himself, laid down. A fuller expansion on this topic may be found in an article by this author in a forthcoming issue of *Commentary* Magazine.

American developmental aid should support the workings of just this liberal international economic order. Assistance should be directed toward helping governments govern more productively, rather than redressing international poverty through unsustainable transnational budget transfers. Development assistance should be guided by principles of entrepreneurship and comparative advantage: that is, of making the most productive use of scarce resources through key interventions. The experience of such nonprofit groups as the Rockefeller Foundation and the Ford Foundation in the early post-World War II period demonstrates how tremendously important such a strategic use of charitable monies can be for the purposes of promoting development.

To realign American "development" efforts with the purposes of strengthening the liberal order and encouraging improved governance in developing countries it will be necessary to restore them to providing "technical assistance." Technical assistance was the guiding premise behind U.S. development policies in the early postwar period—the era when many aid recipients "graduated" out of aid and into broad-based self-sustaining economic growth.

To restore U.S. "development" policies to the tasks of productive technical assistance, many current aid programs must be altered or eliminated. Determining which projects and policies encourage self-sustaining economic growth and increasing government competence is an empirical, not an ideological, question and should be answered through a careful evaluation and review of existing programs. It is likely that new programs will also have to be developed to meet needs in the less developed countries. In some fields, the requisite know-how for such programs may not yet exist, and may have to be created through research and development.

A comprehensive program for "development assistance" reform cannot be outlined briefly. But components of a reform strategy include:

1) *Remove institutional and legislative shackles impairing effectiveness of U.S. development policies.* Organizationally, the present International Development Cooperation Agency (IDCA) separates AID from direct accountability to the State Department. The purposes of AID or any successor organization should be

identical with the purposes of overall American foreign policy; for this reason, AID should be brought back fully into the State Department structure. "Congressional notification," restrictions on obligational carryovers, and other special legislative stipulations which reduce the ability of development officers to design and administer programs efficiently should be reviewed and, where necessary, rescinded.

2) *Review U.S. contributions to United Nations development activities.* To a distressing degree, the programs funded by the United Nations and related organizations in the name of "development" are hostile to a free and open international economy. The U.S. should take no part in undermining the system it helped create, which has promoted prosperity in a host of once impoverished lands. Washington should undertake a thorough review of its United Nations funding and stop subsidizing those U.N. programs that are found to be inconsistent with the goals of economic freedom. Washington should be neither defensive nor apologetic about disinheriting such activities; to the contrary, it should explain clearly the rationale behind each decision.

3) *Cut back "soft" development lending.* There is little evidence that "soft loans" have special merit in promoting development. To the contrary, very often they confuse charity and commerce in the view of recipient governments. (This confusion may be relevant to the current "debt crisis"—a problem whose underlying causes can be traced in part to a tendency to use commercial loans in less than businesslike ways.) Transfers of capital to less developed countries should be understood as being either charitable or commercial—not in between. The International Development Authority (IDA) of the World Bank is the major international vehicle for concessional lending to less developed countries. But the projects it finances, if economically sound, should be just as workable under ordinary World Bank auspices. The U.S. should not replenish IDA funds. It should take a similar position toward the other "soft" lending programs in which it currently participates.

4) *Return the World Bank and other multilateral development banks to their original purpose.* As originally envisioned, the International Bank for Reconstruction and Development (IBRD), commonly known as the World Bank, was to serve as a main pillar of a free international economy. It was to promote technical assistance and to encourage the creation of a positive "investment climate" in which economic progress might be hastened. The Bank was specifically expected to refrain from displacing private capital or from contributing to national policies which would restrict economic activity in borrowing countries. However, the Bank's

present activities do not always seem consistent with these original purposes. The World Bank and other development banks need careful examination, evaluation, and review. Like America's own development institutions, they may usefully be reminded of the purposes for which they were established.

5) *Reform P.L. 480.* The U.S. "Food for Peace" program does not serve developmental goals. In large part, the program's concessional sales strategy is a commodity disposal project subsidizing U.S. farmers. Unloading cheap American food on the markets of less developed countries typically has destabilized local agriculture and reduced incomes within the rural sector, usually the poorest sector in poor nations. Only a small portion of current "Food for Peace" allocations go to emergency or famine relief. A reformed "Food for Peace" program would increase the volume of food aid earmarked for victims of famines and disasters, and diminish allocations for all other purposes.

6) *Build statistical competence in developing nations.* Governments in the less developed regions cannot pursue enlightened and informed social or economic policies unless they have accurate information on social and economic conditions in their countries. This requires domestic statistical systems which both can accurately assess social and economic conditions, and monitor changes rapidly and effectively. Many governments lack even the fundamentals of such an apparatus; some, for example, have no solid estimate of such basic factors as their national populations. Demographic, economic, and statistical training to strengthen the data collecting infrastructure upon which informed governance depends should be a priority form of technical assistance. To the extent that knowledge helps create moral responsibility, better information on national social and economic conditions may also serve as a force of moderation in certain developing states.

7) *Increase technical assistance through U.S. universities.* In such fields as agricultural research, engineering, and health sciences, American universities offer unparalleled opportunities for training. Many other areas of study and research also offer opportunity for strategic transfer skills and knowledge to selected students from developing nations. A reformed American development program should consider ways in which the resources of America's universities might be put to greater "development" use, as well as what new capacities might usefully be developed. A variety of new initiatives likely will be required to meet the technical needs of developing countries.

8) *Expand competitive funding in support of technical innovations for developing countries.* AID's innovative Scientific Research Project and its Strengthening Scientific and Technological Capac-

ity Projects demonstrate how U.S. government funds can encourage research and strengthen technical capacities in developing countries. A similar program may be able to encourage development of devices and technologies of social benefit to developing societies.

9) *Develop movable "policy hospitals."* To loosen the constraints of injurious or inefficient indigenous economic policies on the development process, it may be helpful to educate leaders and decision makers in developing countries about the economic consequences of policies they have chosen, and the alternatives implicit in a variety of strategies that they might pursue instead. This could help foster a lasting competence in dealing with such issues as taxation, finance, budgeting, foreign exchange management, and pricing policies. "Policy hospitals," comprised of informed and well-trained personnel, could be sent to receptive states. At present, AID probably lacks the qualified personnel needed for this. Resources for such a program could be drawn from the American academic and business communities; some of the know-how necessary to make such a program operational may have to be developed.

10) *Help governments in developing countries make markets work.* The "miracle of the marketplace" is a delicate and complex phenomenon, and should not be taken for granted. Markets are not perfectly efficient arbiters of economic activity—if they were, there could not be such as thing as entrepreneurship. A major task confronting a less developed country is to develop a marketing infrastructure, which rapidly and cheaply conveys goods and services and information and knowledge. Developing countries also must learn about and understand international markets—including financial ones—if they are to take advantage of the opportunities provided by the international system.

"Making markets work" to a great extent is simply a matter of refraining from destructive interference in their operations. But societies and governments can also take positive actions to create the atmosphere and to build the linkages and networks upon which efficient and productive markets depend. The U.S. has much to offer developing countries that wish to improve the functionings of their economies. For example, U.S. business schools train students in the practical aspects of market development; these institutions could teach students and policy makers from less developed countries as well. Making markets work also depends on the extent to which developing societies successfully build sophisticated and competent financial infrastructures. Training teams such as those developed by the Harvard Institute for International Development may be able to assist here, but in the realm of technical assistance this field remains largely *terra incognita*. Policy makers should consider ways in which to promote these skills.

11) *Encourage U.S. allies to reform their development policies.* A renewed commitment to the principles of the liberal international economic order and to the goal of self-sustaining economic progress will be more effective if emphasized by other Western nations. U.S. allies should consider what their chances of recovering or developing would have been after World War II if the U.S. had treated them to the same "development" policies which they themselves apply to the "South" today. A dialogue on development reform with other donor nations could greatly increase prospects for the success of both national and cooperative multilateral assistance efforts.

As a final note on "development," it should be emphasized, lest there be doubt, that support for a free international economy and commitment to improving policy competence and administrative capacities in less developed countries are not simply code words for enforcing "laissez-faire" internationally. The Republic of China (Taiwan) and South Korea, for example, have performed exceptionally well within a free economy, yet neither is a "minimalist" government. Taipei directs the ROC economy through "Four Year Plans" and manages a large public enterprise sector that has accounted for as much as two-fifths of the nation's capital formation in certain periods. In Korea, the entire banking and credit system was government run until quite recently; even today the collaboration between government and the "jaebol," or industrial conglomerates, is reminiscent of the situation in Japan in the 1930s. Nevertheless, both countries have been able to take advantage of opportunities from an international economic system that emphasizes results rather than intermediary structures and is thus tolerant of social and political diversity.

The pool of understanding on the many ways in which governments may stimulate national development is neither as wide nor as deep as might be wished; after more than a generation of international "development" efforts it sometimes seems as if surprisingly little is known. For this reason, the promotion of competent governance in developing countries should be treated as an empirical, not ideological, issue.

Security Assistance

The purpose of U.S. military and security aid is to apply American power internationally by: (1) strengthening the defensive capabilities of states in the American alliance structure; (2) helping friendly nations quell internal political or military disturbances; and (3) assisting friendly nations in buying breathing space and, with luck, in regaining or retaining stability. On occasion security assistance may be used to buy friendsl from governments where this is a commodity for sale.

The premise underlying security assistance is that the extension of U power in the world and the purposes which it serves are legitimate. Mc than any Great Power, possibly more than any other nation, the Americ public judges its international initiatives not on the basis of narr national gains, but by the broader and more demanding standards moral purpose. If these goals are clear and accepted, as they were World War II, public support is open-ended and wholehearted; if mor purposes appear to be in doubt (as was thought to be the case in the era Vietnam and Watergate), the use of American power abroad will cost th government and the nation greatly.

The ultimate constraints on security assistance, then, rest on th American people's attitudes toward their government and their natio This attitude is conditioned by trust, which depends in no small degree o the clarity and honesty with which America's leaders explain the international situation and argue for the actions they believe necessary to mee international challenges. Trust is also conditioned by the faithfulnes which the nation's leaders show, in words and actions, toward traditional American principles.

Security assistance cannot lead the U.S. to a foreign policy consensus, but it can play a role in developing domestic support for overseas initiatives. As such, U.S. policy makers must explain honestly what military aid is, and what it does. It is not a humanitarian program in any immediate sense. To be sure, the global order which the U.S. supports is expected, in the long term, to promote humanitarian goals. But money for soldiers and police in a developing nation should not be confused with emergency relief for the victims of disaster.

Just as security assistance is not a humanitarian program, neither is it a "development" program. Security assistance programs themselves are not meant to spark self-sustaining economic growth in less developed nations. In fact, the overwhelming emphasis of U.S. security assistance efforts, it may be argued, is on developed nations—through the defense commitment to Japan and NATO. It is simply an accident of geographic and historical circumstances that some of the nations to which Washington extends military and security aid, such as Pakistan and the Sudan, happen currently to have low levels of per capita output.

It is far from certain, moreover, that long-term transfers of money for security purposes promote self-sustaining economic growth. One need only look at economic events in Egypt and Israel—the two principal recipients of U.S. security assistance funds since the conclusion of the Camp David Accord—to appreciate this. Security assistance and "economic support funds" increase a government's freedom to maneuver. But what it does with this freedom depends on its attitudes and capabilities.

(Very different results should be expected in, say, Singapore and Zaire.) Security assistance is but an instrument to increase a regime's odds of political survival. Political survival is the first concern of governments, and rightly so: neither development nor any other positive aim of government can be pursued effectively under a government whose future is in doubt.

Security assistance must be considered separately from humanitarian and development assistance, not only because its purposes are different, but also because different rules govern its effective application. Both humanitarian and development aid may have positive effects even when their totals are, in some sense, insufficient. Half the money necessary to prevent all famine deaths, for example, will ameliorate some suffering nonetheless; a quarter of a complete technical assistance program will likely be better than no program at all. This is not the case with military or security assistance. A commitment of only 95 percent of the resources necessary to win a war or stabilize a regime amounts, in effect, to no commitment at all. The discontinuous nature of political outcomes and the uncertainties inherent to them mean that a successful security program will typically err on the side of excess. Thus, by any economic measure, it will be often to charges of "inefficiency" and "waste." These problems cannot be eliminated in a program of political aid, but can only be reduced through careful management.

The effectiveness of security assistance can be improved through a number of reforms. Among these:

1) *Remove the Economic Support Fund from AID.* Though some of the monies allocated through the ESF program do go to development projects, this is essentially coincidental. The purpose of ESF is not to foster self-sustaining economic development in recipient nations. It is to buy political stability through financial transfers either by increasing local living standards directly or by resolving pressing balance of payments difficulties. These objectives are better described as security related than development oriented. As such, ESF should be administered with programs having similar goals.
2) *Reduce the soft lending component and raise the direct grant portion within the mix of American security assistance funds.* Concessional lending for development has blurred the line between charity and commerce; by the same token, as Jeffrey Bergner argues in this volume, soft lending for security assistance seriously has confused donors and recipients over the distinctions between commercial transactions and strategic commitments. Security lending, moreover had has unexpected adverse economic consequences on borrowers. Making clear distinction between military/security grants and military sales would force American policy makers to

define their objectives more clearly. The U.S. also may wish to consider "loan forgiveness" for some or all of its security assistance debtor accounts.

3) *Reform the legislation governing security assistance.* Since 1974, when it was reported that Uruguayan police receiving U.S. security aid were torturing political prisoners, the Congress has prohibited the U.S. from providing security training or assistance to non-military organizations in recipient countries. The practical consequences of this have been perverse. In El Salvador, for example, it is widely believed that right wing "death squads" operated from within the sanctum of the national police agencies; of all organs of government in El Salvador, these were the only ones to which the U.S. could not apply money, and therefore had least leverage with which to demand reforms.

These unintended effects are not unique to El Salvador. Many countries in Latin America have small standing armies; Costa Rica and several Caribbean states have no army at all. In such nations national security and law enforcement duties both fall under the aegis of the police force, but current laws prevent the U.S. from aiding such societies through security programs. In recent years, one Caribbean country was convulsed by an uprising of Rastafarian revolutionaries intent on seizing the government; another experienced a coup attempt by Ku Klux Klan inspired forces. In neither case could Washington provide necessary security help, for neither had a standing army. Under current U.S. laws, receiving American military or security assistance would require friendly societies in this hemisphere to militarize, thus altering their peaceable civilian traditions, or to request the outright stationing of U.S. troops.[2]

Surely U.S. laws can do better than this. Restricting the ability of the U.S. government to conduct foreign policy is no real substitute for embuing official policies with the moral purposes Americans expect in them.

Conclusion

Foreign aid policies should be used to reinforce U.S. political, economic, and moral objectives throughout the world because these objectives are fundamentally sound. The converse to this argument and its implications is important as well. If America's fundamental political, economic, and is moral purposes in the world are sound, then strengthening U.S. power is in itself a beneficial and effective form of foreign aid.

Building American might is in part a military task, but only in part.

---

[2] I am indebted to Mr. Bruce McColm of Freedom House for this information.

America's econ[illegible] strength and its economic contribution to a free international economy will depend critically on the extent to which the nation remains true to its professed principles of free trade. The U.S. government's success in bringing spending in line with revenues will affect the prospects for the economic security not only of Americans, but also of people all over the world. And America's performance in maintaining the dollar as a stable and reliable currency will have a continuing impact on the prospects for world commerce and international economic growth. Finally, the honesty and decency with which the U.S. conducts its international policies will have far-reaching consequences, for the U.S. is not just a nation; it is an idea.

More than three decades ago, Eric Johnston, the "Point 4" (Third World foreign aid) adviser to Presidents Truman and Eisenhower, reflected on America's role in the world:

> We are living in the last half of the twentieth century, and the scepter of world leadership has been thrust in our hands. I don' think most of us wanted it, but we have it just the same. We find ourselves in competition for the minds of men with imperialistic, expansionistic communism. That competition, in my opinion, will run for a long period of time . . . I am one of those who believe the human wants of mankind are insatiable. The problem is how to provide an opportunity to meet them . . . I believe that the foreign policy of America, though not clearly enunciated—and I wish we would clearly enunciate it . . . is to export the good things of the 20th century to other peoples. It would be a terrible mistake for us to export but a portion of those things. . . .

Little basic progress has been made in resolving the underlying problems to which Johnston referred. Yet his words remain the words of enormous hope. What Johnston realized then and what Americans should know today is that no other nation has ever been in as good a position as the United States to champion the cause of the world's poor. Americans should recognize the awesome responsibilities which this implies, but they should rejoice at the extraordinary coincidence of interests between a strong and healthy America and the prospects of advancement for the impoverished and unprotected peoples of the earth.

[New York Times, Mar. 22, 1987]

PAKISTAN STIFFENS ON ATOM PROGRAM

Reported Bomb Development and Threat of Aid Cutoff Are Brushed Aside

By STEVEN R. WEISMAN

Special to The New York Times

ISLAMABAD, Pakistan, March 19 — Rising American pressure on Pakistan to stop developing a nuclear bomb has provoked objections throughout the country and raised doubts among some about the reliability of Washington as a friend.

Western diplomats skeptical of Islamabad's intentions in the nuclear area said today that, if anything, Pakistan had grown more adamant in recent weeks about pursuing what it insists is a peaceful nuclear research program.

In addition, a senior Pakistani official said that although the Government worried about a possible "terrible misunderstanding" with the United States, it was counting on President Reagan to press Congress to approve the Administration's proposed six-year, $4 billion aid package to Pakistan.

"We expect the Administration to fight for every dollar in that program," the official said. He added that Pakistan was satisfied that the Administration was doing so.

Concern Over Nuclear Program

Islamabad's hardened attitude comes at a time of mounting concern in the United States, India and elsewhere that Pakistan is on the verge of manufacturing a nuclear bomb, if it does not already have one. In Congress, this has prompted a drive to curtail or even cut off aid to Pakistan.

Pakistan has been a major recipient of American aid since 1981, when President Reagan authorized a $3.2 billion package to help the country meet a perceived threat from Soviet troops who entered neighboring Afghanistan in December 1979. But the aid has always been contingent on assurances that Pakistan has not been producing a nuclear weapon.

The most direct recent warning to Pakistan came last month when the United States Ambassador, Deane R. Hinton, repeated the American view that Pakistan's actions were "inconsistent" with a peaceful nuclear program and jeopardized continued assistance. He called on Pakistan to sign the treaty banning the spread of nuclear weapons and open its nuclear installations to international inspection.

Pakistan, taking the view that it cannot do so except in conjunction with India, rejected the plea, and Mr. Hinton was widely denounced in Parliament and by newspapers.

After the Deputy Foreign Minister, Zain Noorani, said that "Pakistan will not be browbeaten or cajoled" out of its nuclear program, Pakistan's largest-circulation newspaper, Jang, said he reflected "the feelings of the 90 million people of Pakistan."

Broad Charges, Partial Denials

A senior Pakistani official said in an interview that Pakistan would keep its pledge to maintain only a low-level enrichment program for energy needs, but he did not deny that Pakistan could produce highly enriched uranium for research.

"We have not said we will not do any research," the official said. "Research is very difficult to control. But the question of converting any fruits of research into a weapons program is false."

But American intelligence officials and independent nuclear experts have recently reported that Pakistan has manufactured weapons-grade uranium, considered the most difficult step on the way to producing a bomb. And a Reagan Administration official told a Congressional committee this year, for the first time, that Washington could no longer obtain "reliable assurances" of Pakistan's peaceful intentions.

Such concerns were heightened by an Indian journalist's interview with the director of Pakistan's nuclear fuel enrichment program, Abdul Qadeer Khan. In the interview, published March 1, Dr. Qadeer was quoted as saying that, contrary to its claims, Pakistan was producing weapons-grade uranium and had the bomb.

Editor Attests to Comments

Dr. Qadeer later denied he made these comments, but a well-known Pakistani newspaper editor, Mushahid Hussein Syed, attested to their substance in an editorial after disclosing that he had arranged the interview himself.

Mr. Hussein, a left-wing critic of Pakistan's friendship with the United States, was widely denounced in Parliament as having betrayed his country. After his phone was cut off for three days and his house was put under surveillance, Mr. Hussein resigned his position as editor of the newspaper.

In his editorial, Mr. Hussein suggested that the air had been cleared and that a more honest relationship with Washington was now possible. "For too long, the Government here has been denying what is obvious to most," the editorial said. "The Government needs to take the people into confidence and adopt positions that are credible and consistent with the national interest."

"The United States needs Pakistan whether we have the bomb or no bomb," he said.

REMARKS OF SENATOR ALAN CRANSTON IN THE CONGRESSIONAL RECORD OF MARCH 25, 1987

By Mr. CRANSTON:

S. 842. A bill to amend the Peace Corps Act to authorize appropriations for fiscal years 1988 and 1989, to authorize the encouraging of contributions to the Peace Corps, and to provide for activities to promote Americans' understanding of other peoples; to the Committee on Foreign Relations.

PEACE CORPS ACT AMENDMENTS

Mr. CRANSTON. Mr. President, I am today introducing S. 842, the proposed Peace Corps Act Amendments of 1987. The basic purpose of this legislation is to extend the authorization of appropriations for the Peace Corps and to do so at levels that would enhance this unique agency's efforts to help the peoples of other countries meet their needs for trained manpower and to promote a mutual understanding between American people and the peoples of other nations.

For more than 25 years, Peace Corps volunteers have promoted international peace and friendship by helping persons in many nations overcome the often harsh realities—including, malnutrition, lack of clean water, disease, and illiteracy—of their lives. Since the Peace Corps' establishment in 1961, over 120,000 American men and women have served as volunteers in 92 nations around the world.

Mr. President, this bill would amend the Peace Corps Act, first, to authorize increased appropriations for fiscal years 1988 and 1989; second, to clarify the authority of the Peace Corps relating to the encouragement of donations from the private sector to help carry out Peace Corps activities; and, third, to direct the Peace Corps to encourage, facilitate, and assist activities of returned Peace Corps volunteers and other individuals and organizations connected with such efforts in furtherance of the third goal of the Peace Corps—namely, the promotion of a better understanding of other peoples on the part of the American people.

AUTHORIZATION OF APPROPRIATIONS

Mr. President, section 2 of this bill would authorize to be appropriated for the Peace Corps $146.2 million and $157 million for fiscal years 1988 and 1989, respectively. This level of funding would enable the Peace Corps to make progress toward achieving the congressionally established goal of a Peace Corps volunteer strength of 10,000, as enacted in section 1102 of the International Security and Development Cooperation Act of 1985, Public Law 99-83. As the Senate author of that provision, I believe that the Congress should take the steps necessary to provide the Peace Corps with the resources to make steady progress toward realizing that goal.

Despite the continued national support for the Peace Corps among the American people and its symbolic significance to our aspirations for world peace and understanding, the numbers of Peace Corps volunteers have declined over the past two decades from more than 15,000 volunteers in 1966 to 9,000 in 1970, to a just over 5,000 in 1984. At the same time, the populations in the developing nations of the world have increased dramatically.

Currently, there are only about 5,500 men and women serving in the Peace Corps. At present, however, the Peace Corps has over 2,400 more requests for volunteers from host countries, and nearly 500 more qualified applicants, than the agency's current budget enables it to use.

Following establishment of the 10,000-volunteer goal, I and a number of other Members of the House and Senate, including the distinguished chairman of the Senate Foreign Relations committee, the Senator from Rhode Island [Mr. PELL], the very able chairman of the committee's Subcommittee on Western Hemisphere and Peace Corps Affairs [Mr. DODD], and the chairman of the House Foreign Affairs Committee, Representative DANTE FASCELL, requested that Loret Ruppe, Director of the Peace Corps, develop a phased, realistic, and programmatically appropriate plan to meet that goal. Director Ruppe's plan, submitted to Congress on March 5, 1986, provides a realistic blueprint for moderate Peace Corps growth through the end of this decade and into the beginning of the next. The funding levels called for in that plan over the next two fiscal years—$146.2 million in fiscal year 1988 and $156 million in fiscal year 1989—are the amounts that would be authorized to be appropriated by this legislation.

Mr. President, the funding levels proposed in this bill are essential if the Peace Corps is to move toward making the 10,000-volunteer goal a re-

ality. In view of the increased opportunities for promoting world peace that would be provided with these modest increases, I truly believe they would be a small price ot pay.

With respect to fiscal year 1987, last year the Foreign Relations Committee proposed and the Congress enacted legislation, in the Omnibus Diplomatic Security and Antiterrorism Act of 1986, Public Law 99-399, to increase the fiscal year 1987 authorization of appropriations from $130 million to $137.2 million to meet the first year's funding level in Director Ruppe's 6-year plan. We were almost successful last fall in getting these extra funds approved in the Senate Appropriations Committee, and we are still pursuing that result. Without this augmentation in the fiscal year 1987 funding level, the number of Peace Corps volunteers will fall to an all-time low since the program was first launched—5,000 volunteers.

On March 16, 1987, I joined with Senator Pell and Senator Dodd from the Foreign Relations Committee, Senator DeConcini and Senator Leahy from the Appropriations Committee, and Senator Rockefeller in a letter urging the Committee on Appropriations' Subcommittee on Foreign Operations to recommend the additional $7.2 million in funding for fiscal year 1987 for the Peace Corps.

Mr. President, I ask unanimous consent that the text of our March 16 letter to the chairman of the Appropriations Subcommittee on Foreign Operations, the distinguished Senator from Hawaii [Mr. Inouye], as well as a letter that Senators Pell, Dodd, and I sent to Director Ruppe asking for an update of the 10,000-volunteer goal blueprint, be printed in the Record at this point.

There being no objection, the letters were ordered to be printed in the Record, as follows:

U.S. Senate,
Washington, DC, March 16, 1987.

Hon. Daniel K. Inouye,
Chairman, Subcommittee on Foreign Operations, Committee on Appropriations, U.S. Senate, Washington, DC.

Dear Dan: We are writing to urge that, during consideration of the FY 1987 Supplemental Appropriations bill, adequate funding for the Peace Corps be provided to support progress toward the Congressionally-mandated goal of a Peace Corps volunteer strength of 10,000 and to achieve certain programmatic improvements.

As you may know, legislation enacted in section 1102 of the International Security and Development Cooperation Act of 1985 (Public Law 99-83) established the 10,000-volunteer goal. Currently, there are approximately 5,500 men and women serving in this unique and valuable program.

Despite broad and continuing national and international support for the Peace Corps and its significance in the pursuit of world peace and understanding, the number of Peace Corps volunteers has steadily decreased over the last two decades—from its height of more than 15,000 volunteers in 1966 to 9,000 in 1970, to little more than 5,000 in 1984. During this same period the populations of the developing nations of the world dramatically increased, adding to the multitude and complexity of problems confronting the people of these lands—problems which Peace Corps volunteers are in a unique position to assist in alleviating. In this regard, the Peace Corps presently has over 2,400 more requests for volunteers from host countries, and nearly 500 more qualified applicants, than the agency's current budget enables it to meet.

In order to provide for the orderly achievement of the 10,000-volunteer goal, at our request, Peace Corps Director Loret Ruppe prepared a 6-year plan for reaching that level by the end of fiscal year 1992. A copy of that plan submitted in March 1986 is enclosed. To keep pace with that plan and to make needed improvements in the operation of the Peace Corps, we believe that $7.2 million in funding to supplement the agency's FY 1987 appropriation of $130 million is essential. Such an appropriation would simply provide full funding for the current authorization for the Peace Corps. Of this modest increase, $6.2 million would enable the Peace Corps to enhance and expand operations in the Philippines (50 PCVs) in accordance with the expressed wishes of President Aquino; to increase modestly the number of new volunteers enrolled this year for service in other countries (200 PCVs); to extend the terms of a small number of current volunteers with special skills (100 PCVs); and to assess the potential for developing Peace Corps programs in new host countries.

Over and above the $800,000 in supplemental funding requested by the Administration for raises in Peace Corps staff pay and additional financial requirements from the new Federal Employment Retirement System, an additional $6.4 million, would, in addition to making it possible to achieve the purposes described above and shown in the enclosed chart, help enable the Peace Corps to deal with a number of unforseen expenses stemming from fluctuation in the exchange rates of international currencies and increases in the agency's fixed costs. Thus, with this $7.2 supplemental, the Peace Corps' FY 1987 appropriation would total $137.2 million, the full amount currently authorized for FY 1987.

We know you share our enthusiasm for the Peace Corps and its mission of promoting peace and international understanding. We urge your support for the $7.2 million necessary to bring about those opportunities.

With every good wish,
Ever sincerely,
Claiborne Pell,
Chairman.
Christopher Dodd,
Chairman, Subcommittee on Western Hemisphere Affairs.
Alan Cranston,
Chairman, Subcommittee on East Asian and Pacific Affairs.
Committee on Foreign Relations.
Dennis DeConcini,
Member, Subcommittee on Foreign Operations.
Patrick Leahy,
Member, Subcommittee on Foreign Operations.
Committee on Appropriations.
John D. Rockefeller IV.

Peace Corps—Fiscal year 1987 supplemental proposal

	Millions
Expand and enhance operations in the Philippines	$1.0
Expand program by 50 volunteers to restore volunteer reductions made in the Philippines in response to Gramm-Rudman and to demonstrate continued support for the new government's focus on development through specialized agricultural training programs. (Increased numbers of volunteers and agricultural emphasis on Peace Corps programs in the Philippines is consistent with President Aquino's desires expressed to the Director of the Peace Corps in a November 1986 meeting in the Philippines.)	
Other increases in the numbers of volunteers	3.2
Increase the number of volunteers elsewhere by 200 to meet requests from host countries which cannot currently be met with existing budget resources.	
Extend term of special-skilled volunteers	1.0
Expand the use of the experience and expertise of 100 volunteers who have already completed two years of service and would like to extend their service for a third year.	
New country entry developments	1.0
Conduct assessments of new country entries (possible candidates: Chad, Sudan, Comoros, Bolivia, Equatorial Guinea, Pakistan, Uraguay, Djibouti, and China); start-up costs for 3 to 5 entries	
Total	6.2

Peace Corps,
Washington, DC, March 5, 1986.

Hon. Alan Cranston,
Member, Senate Committee on Foreign Relations, U.S. Senate, Washington, DC.

Dear Senator Cranston: In response to your request of February 3, we are providing a detailed plan for attaining a volunteer level of 10,000 over the next six years.

We share with you the concern for the needs of the developing world and a conviction that long-term development needs are best met through grassroots-level assistance. As we enter our second quarter-century, Peace Corps is reaffirming its role in providing such assistance, a role unique in the foreign assistance community.

As I participate in 25th Anniversary symposia around the nation, I am pleased and very proud of the continued support of the American people for the basic goals of the Peace Corps. The strong resoonse made by Americans throughout the nation to our appeals for increased numbers of volunteers to support our Africa Food Systems Initiatives has been repeated in the enthusiastic response to our anniversary activities. The so-called "me generation" is in fact very responsive to the needs of people on the other side of the world, and willing to contribute their time and skills to meeting those needs. And an older generation of Americans has renewed its interest in international volunteerism; their extensive experience ensures that they have the skills so much needed overseas.

Due to time constraints, the attached plan has been developed by Headquarters staff, with limited participation by our overseas staff, who are occupied in making the program reductions required under Gramm-Rudman. Despite this constraint, we feel that the outlined volunteer levels are feasible and supportable. We considered possibilities for expanding existing programs, for initiating new projects in countries where we now serve, and for establishing new programs in countries where we do not now operate. We also weighed the likelihood that host countries would agree to, and support, potential expansions. And we carefully evaluated "saturation levels" for each country (the levels at which the sheer numbers of volunteers in a particular country would preclude further increases).

While increased levels of volunteers are feasible, it is important to note the limitations inherent in development of this plan:

The need to reduce the Federal deficit continues to be an urgent priority of this Administration. As I noted in my earlier letter, we need to balance the economic needs of the developing world with the economic needs of our own Nation.

Potential increases noted in the plan must be viewed as somewhat tentative, as they depend heavily on the concurrence of the host country government. As you know, the bulk of our volunteer activity is in direct response to a specific request from a host country. Since host country governments did not participate in the development of this plan, we cannot guarantee their response. We feel that the overall numbers are attainable, however, in light of the numerous requests we have received for new or expanded efforts, although this will also depend on the availability of scarce skills among our applicants.

Increases are also subject to change based on changing political and economic environments in the countries served. We have not identified individual countries in this plan for that reason. The overall numbers would not be expected to fluctuate much, though, as one country's increase may well offset another country's decrease.

Increased levels cannot be attained without the establishment of programs in countries where we do not now operate. As with expansions, such new country entries depend on the concurrence of the host country. We have received a number of contacts concerning possible new country entries, but would have to go through the formal negotiation process before establishing programs.

Any increase in volunteer levels would require a commitment of resources in both dollar and personnel terms, and may be difficult to achieve in the current budget environment. Peace Corps cannot, and will not, place volunteers overseas without adequate support to ensure their continued health and safety.

Despite the tentative nature of any specific numbers, especially on a country-by-country basis, Peace Corps does feel that the need for development assistance is there, and that we can play a valuable role in helping the developing world meet its long-term needs. As you well know, Peace Corps is a most cost-effective (and, in our eyes, our most effective) development assistance program.

I hope the enclosed plan responds to your request. If you have any questions or need additional information, I and my staff are available to assist you in any way possible.

Thank you for your continuing interest in, and support for, Peace Corps' programs.

Sincerely,

LORET MILLER RUPPE,
Director.

SUMMARY

Summary of resources required to reach a volunteer force of 10,000 by 1992:

	Fiscal years [1]						
	1986	1987	1988	1989	1990	1991	1992
Trainee imput	2,615	3,171	3,714	4,233	4,572	4,890	5,317
Volunteer years	5,103	4,961	4,999	5,737	6,571	7,256	7,830
Volunteers on board end of year	6,012	6,108	6,630	7,686	8,581	9,307	10,054
Budget requirements (millions of dollars)	[2] 124.4	137.2	146.2	157.0	172.8	185.3	196.2
Staffing requirements (FTE)	1,039	1,097	1,168	1,211	1,269	1,309	1,318

[1] Projected resource requirements are in constant dollars.

[2] Excludes $5.59 million sequestered (from a total appropriation of $130 million) as a result of Gramm-Rudman-Hollings constraints.

Establishing and maintaining a volunteer force of 10,000 would require more than doubling our annual trainee input over the next four to six years. From 1199 to 3053 in Africa (up 1854); from 707 to 986 in Inter America (up 279); from 684 to 1253 in North Africa, Near East, Asia and Pacific (up 569).

Most of the volunteers would serve in agriculture and education programs, with lesser increases in health, water/sanitation, forestry and small enterprise development.

Over a dozen new country entries would be planned (up from 63 at present).

Funding would need to increase by $72 million over current levels.

Staffing would need to increase by close to 300 FTE over current levels.

Fiscal year 1987

Trainee input	3,171
Volunteer years	4,961
V's on board end of year	6,108
Staff (FTE)	1,097
Total (millions)	$137.2
Program support (millions)	$45.2
RCDE (millions)	$12.8
Volunteer operations (millions)	$79.2

Increased trainee input over FY 1986 by 556; 282 Africa, 224 Inter America; 50 North Africa, Near East, Asia and Pacific (NANEAP).

Major increases are in agriculture/rural development, education, small enterprise development and health.

Assumes entry into four (4) new countries (1 in Africa, 3 in Inter America).

Increases in staff provide for overseas staff, recruitment, and support services.

Increases in volunteer operations provide for	$4.6
Basic training for new volunteers (trainees)	(3.3)
Program planning to support the expansion	(.4)
Medical support	(.5)
Program materials for volunteers	(.2)
Recruitment, other (1 FTE)	(.2)
Increases in RCDE provide for	2.5
Recruitment (8 FTE)	(2.2)
Support to the UN Volunteer program (+5 volunteers)	(.3)
Increases in Program Support provide for	5.7
Overseas staff (28 FTE)	(1.4)
Headquarters staff (21 FTE)	(.8)
One-time costs—new posts	(.8)
Conversion to State systems for personnel/payroll	(.5)
One-time upgrade of overseas computer systems	(.8)
Overseas support costs (vehicles, FAAS)	(.6)
One-time computer expansion	(.5)
Support services	(.3)

Fiscal year 1988

Trainee input	3,714
Volunteer years	4,999
V's on board end of year	6,630

Staff (FTE)	1,168
Total (millions)	$146.2
Program support (millions)	$49.6
RCDE (millions)	$13.0
Volunteer operations (millions)	$83.6

Increases trainee input over FY 1987 by 543; 360 Africa, 108 Inter America, 75 NANEAP.

Major increases continue in agriculture/rural development, education, and small enterprise development.

Assumes entry into 3 new countries (1 in NANEAP, 2 in Africa).

Increases in staff provide for overseas staff, recruitment and support services.

Increases in volunteer operations provide for	$4.4
Basic training for new volunteers (trainees)	(3.2)
Overseas support to new volunteers (allowances, travel, in-service training, supplies, etc.)	(.4)
Medical support	(.5)
Recruitment, other (1 FTE)	(.3)
Increases in RCDE provide for	.2
Recruitment (8 FTE)	(.3)
Support to UNV program (grant in alternating years)	(–.1)
Increases in program support provide for	4.4
Overseas staff (43 FTE)	(2.1)
Headquarters staff (19 FTE)	(.7)
Overseas support costs (vehicles, FAAS)	(.4)
One-time upgrade of overseas computer systems	(1.2)
One-time costs for new posts	(–.2)
Other	(.2)

Fiscal year 1989

Trainee input	4,233
Volunteer years	5,737
V's on board end of year	7,686
Staff (FTE)	1,211
Total (millions)	$157.0
Program support (millions)	$48.4
RCDE (millions)	$13.7
Volunteer operations (millions)	$94.9

Increases trainee input over 1988 by 519; 300 in Africa, 144 in Inter America, 75 in NANEAP.

Major increases are in agriculture/rural development.

Assumes no new country entries.

Increases in staff provide for overseas staff, recruitment, and support services.

Increases in Volunteer Operations provide for	$11.3
Basic training for new volunteers (trainees)	(3.1)
Overseas support to new volunteers (allowances, travel, in-service training, supplies, etc.)	(7.5)
Medical support	(.6)
Other (1 FTE)	(.1)
Increases in RCDE provide for	.7
Recruitment (6 FTE)	(.4)
Support to UNV program (grant in alternating years)	(.2)
WATS equipment (one time)	(.1)
Changes in Program Support provide for	–1.2
Increases in:	
Overseas staff (31 FTE)	(+1.5)
Headquarters staff (5 FTE)	(+.2)
Overseas support costs (vehicles, FAAS)	(+.4)
Offset by decreases in:	
One-time computer purchases	(–.5)
One-time upgrade to overseas computer systems	(–2.0)
One-time costs for new posts	(–.8)

Fiscal year 1990

Trainee input	4,572
Volunteer years	6,571
V's on board end of year	8,581
Staff (FTE)	1,269
Total (millions)	$172.8
Program support (millions)	$51.1
RCDE (millions)	$14.4
Volunteer operations (millions)	$107.3

Increase trainee input over FY 1989 by 339; 373 in Africa, –134 in Inter America, 100 in NANEAP.

The Inter America decrease reflects a slight slowing after the peak years of IFCA (Initiative for Central America).

Assumes two new country entries (in Africa).

Major increases in small enterprise development, water/sanitation, and agriculture/rural development.

Increases in staff for overseas staff, recruitment and support services.

Increases in volunteer operations provide for	$12.4
Basic training for new volunteers (trainees)	(2.0)
Overseas support to new volunteers (allowances, travel, in-service training, supplies, etc.)	(8.4)
Medical support	(1.7)
Other (3 FTE)	(.3)
Increases in RCDE provide for	.7
Recruitment (9 FTE)	(.7)
Support to UNV program grant in alternating years	(–.1)
New recruitment film	(.1)
New area office (3 FTE)	(.1)
WATS equipment (one time)	(–.1)
Increases in program support provide for	2.7
Overseas staff (32 FTE)	(1.6)
Headquarters staff (11 FTE)	(.4)
Overseas support costs (vehicles, FAAS)	(.3)
One-time costs—new posts	(.4)

Fiscal year 1991

Trainee input	4,890
Volunteer years	7,256
V's on board end of year	9,307
Staff (FTE)	1,309
Total (millions)	$185.3
Program support (millions)	$536
RCDE (millions)	$14.6
Volunteer operations (millions)	$117.1

Increase trainee input over FY 1990 by 318; 254 in Africa, −36 in Inter America, 100 in NANEAP.

Inter America continues slowing.

Assumes 3 new country entries (1 in NANEAP, 2 in Africa).

Major increases in education and agriculture/rural development.

Increases in staff for overseas staff, recruitment and support services.

Increases in volunteer operations provide for	$9.8
Basic training for new volunteers (trainees)	(1.9)
Overseas support to new volunteers (allowances, travel, in-service training, supplies, etc.)	(6.9)
Medical support	(.9)
Other (2 FTE)	(.1)
Increases in RCDE provide for	.2
Recruitment film (one time)	(−.1)
Recruitment (7 FTE)	(.2)
Support to UNV program (grant in alternating years)	(.1)
Increaseas in program support provide for	2.5
Overseas staff (28 FTE)	(1.2)
Headquarters staff (3 FTE)	(.1)
Overseas support costs (vehicles, FAAS)	(.2)
Replace overseas computer systems	(.8)
One-time costs—new posts	(.2)

Fiscal year 1992

Trainee input	5,317
Volunteer years	7,830
V's on board end of year	10,054
Staff (FTE)	1,318
Total (millions)	$196.2
Program support (millions)	$54.9
RCDE (millions)	$14.7
Volunteer operations (millions)	$126.6

Increase trainee input over FY 1991 by 427; 285 in Africa, −27 in Inter America, 169 in NANEAP.

Inter America continues slowing.

Assumes 2 new country entries (in Africa).

Major increases are in education and agriculture/rural development.

Increases in staff for overseas staff, recruitment and support services.

Increases in volunteer operations provide for	$9.5
Basic training for new volunteers (trainees)	(2.5)
Overseas support to new volunteers (allowances, travel, in-service training, supplies, etc.)	(5.8)
Medical support	(1.1)
Other (1 FTE)	(.1)
Increases in RCDE provide for	.1
Recruitment (8 FTE)	(.2)
Support to UNV program (grant in alternating years)	(−.1)
Increases in program support provide for	1.3
Overseas support to volunteers (vehicles, FAAS)	(.4)
Reduced staff travel	(−.1)
Replace overseas computer systems	(1.2)
One-time costs—new posts	(−.2)

COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, March 11, 1987.

Hon. LORET MILLER RUPPE,
Director, Peace Corps,
Washington, DC.

DEAR LORET: We are writing in connection with the plan you developed last year to achieve the Congressionally-mandated goal of a Peace Corps volunteer strength of 10,000 individuals.

As you are well aware, following enactment of legislation contained in section 1102 of Public Law 99-83, establishing the 10,000 volunteer strength goal, we, along with a number of members of the authorizing and appropriating committees of both the House and Senate, requested that you prepare a detailed plan on how to achieve that growth in a phased and orderly manner within present stringent budgetary limitations. Your plan, submitted on March 5, 1986, was extraordinarily helpful in providing guidance to our efforts in the 99th Congress to secure the legislative changes to start on the path toward achieving this growth in volunteer strength.

As we renew those efforts in the new Congress, we would appreciate your providing us with an update of the plan, taking into account FY 1987 staff salary increases, those estimated for FY 1988, increases in Peace Corps' fixed costs, FERS costs, and fluctuations in international currency exchange rates.

We look forward to working with you on this and other matters aimed at strengthening and improving the Peace Corps.

With every good wish.

Ever sincerely,

CHRISTOPHER J. DODD,
Chairman, Subcommittee on Western Hemisphere Affairs.

CLAIBORNE PELL,
Chairman.

ALAN CRANSTON,
Chairman, Subcommittee on East Asian and Pacific Affairs.

CLARIFICATION OF AUTHORITY TO ENCOURAGE DONATIONS

Mr. CRANSTON. Mr. President, section 3 of this bill would clarify the authority of the Peace Corps to develop the commitment of private sector resources to support activities carried out by the Peace Corps.

Since the Peace Corps' earliest years, thousands of Americans, without ever leaving their communities, in schools, churches, civic organizations, foundations and corporations—have helped advance the goals of the Peace Corps. For example, under the Peace Corps Partnership Program individuals and organizations have through their financial contributions assisted Peace Corps volunteers in carrying out small-scale projects in overseas locations. Their donations have often made the difference in countless villages as to whether a well, a classroom, or a small medical facility could be constructed, or whether other activities aimed at helping persons in developing nations at the grassroots level meet their most pressing needs could be undertaken. At the same time, through the exchange of letters, music, photographs, and other items with these villages, participants in the Partnership Program have been provided the opportunity to learn about another way of life and what it means to live in an interdependent world.

I believe the partnership effort should be larger and make a greater contribution to enhancing the activities of Peace Corps volunteers overseas and encouraging the participation of Americans in international devleopment and assistance.

This provision—by making expressly clear in the Peace Corps Act that the agency has the authority to contact private individuals and organizations to make them aware of the opportunities to make such contributions—would enhance these and other efforts of the Peace Corps to encourage individuals and organizations in this country to become involved in and help support Peace Corps projects and activities.

PROMOTION OF THE PEACE CORPS' THIRD GOAL

Mr. President, the third goal of the Peace Corps, set forth in section 2(a) of the Peace Corps Act, is to promote a better understanding of other peoples on the part of the American people.

The first two goals—helping the peoples of other countries in meeting their needs for trained manpower and promoting a better understanding of Americans on the part of the peoples served—flow most naturally from sending Peace Corps volunteers to serve overseas. The achieving of the thrid goal, however, depends to a large part on the activities of volunteers after they have returned to the United States and resumed their careers in this country and no longer have formal ties to the Peace Corps. Thus, promotion of the third goal can benefit from special efforts designed to help returned volunteers carry out activities that will increase our understanding of the peoples they served.

To help foster such efforts, section 4 of this bill would direct the Peace Corps to encourage, facilitate, and assist activities of returned Peace Corps volunteers, as well as other individuals and agencies supporting such efforts, to further the third goal of the Peace Corps.

Mr. President, as I mentioned earlier, over the life of the Peace Corps more than 120,000 American men and women have served as volunteers in close to a hundred nations around the world. As a result of their experiences, these individuals represent an invaluable resource of knowledge and insight into the problems confronting peoples in developing countries.

In this regard, on the occasion of the Peace Corps' 25th anniversary celebration in September 1986 almost 5,000 former Peace Corps members gathered in Washington, DC, to commemorate this special event and to undertake and promote third goal activities. This legislation would enhance the agency's efforts to capitalize and build on the momentum of that event.

Mr. President, I believe now is an most appropriate time to attach a higher priority to the third goal in recognition of the countless contributions returned Peace Corps volunteers can make and have made toward a fuller understanding on the part of our citizenry about developing countries and the human dimension of international development efforts.

Over the years, the Peace Corps has sporadically carried out activities aimed at promoting the third goal. Its statutory authority to carry out third-goal activities, other than for the Peace Corps Partnership Program dealt with in section 3 of the bill, is nowhere expressly stated. The Peace Corps congressional presentation for fiscal year 1988 contains only the following very general description of current third-goal activities: The Peace Corps works through and with returned volunteers, civic, business, and university groups to share information gained through the activity of the volunteers.

I believe that more can be done and should be done and done regularly and systematically to encourage the activities of returned Peace Corps volunteers and others working with them to share their experiences with their fellow Americans. There needs to be a clear congressional directive to the Peace Corps to promote third-goal activities.

In 1981, just before leaving office as Peace Corps Director, Richard F. Celeste, now the Governor of Ohio, submitted a report to the Congress outlining a series of third-goal activities to be pursued. Some have been undertaken since that time; others are getting underway under Peace Corps Director Loret Ruppe's leadership. On March 11, 1987, Senators PELL, DODD, and I wrote to Mrs. Ruppe asking for her to update us on the status of all Peace Corps activities, plans, and views in connection with the 1981 Celeste report, as well as to outline Peace Corps third-goal activities in connection with the recent 25th anniversary events.

Mr. President, I ask unanimous consent that a copy of our March 11 letter be printed in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, March 11, 1987.

Hon. LORET MILLER RUPPE,
Director, Peace Corps, Washington, DC.

DEAR LORET: We are writing in connection with the Peace Corps' development education and other activities to achieve the Third Goal of the Peace Corps.

As you know, section 2(a) of the Peace Corps Act (Public Law 87-293) includes as the third of the three statutory goals of the Peace Corps the promotion in the United States of "a better understanding of other peoples." With the Peace Corps having just celebrated its 25th anniversary, we believe that is an appropriate time to attach a higher priority to this objective in recognition of the countless contributions returned Peace Corps volunteers can make and have made toward a fuller understanding on the part of our citizenry about developing countries and the human dimension of international development efforts.

Since the Peace Corps' establisment in 1961, approximately 120,000 American men and women have served in developing nations around the world. These individuals represent an invaluable resource of knowledge and insight into the problems confronting peoples in many developing countries. Moreover, we believe that the agency has a tremendous opportunity to capitalize and build on the momentum of the 25th anniversary events, culminating in almost 5,000 former Peace Corps members gathering in Washington, D.C., last September, to undertake and promote Third Goal activities.

Hence, we would appreciate your providing us with a description of activities, and resources being devoted to them, being undertaken or planned, in furtherance of the Third Goal. Please also provide a description of Peace Corps activities in connection with the 25th anniversary. Finally, we would also like to know your views regarding each of the recommendations in the January 15, 1981, report, entitled "A Report on a Plan Providing for More Effective Utilization of Returned Peace Corps Volunteers," submitted to the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs by former Peace Corps Director Richard F. Celeste. Please describe activities undertaken or planned that are responsive to those recommendations.

Because we expect to use the information requested in preparing the Peace Corps' FY 1988 and 1989 authorization legislation, we would appreciate your response by March 25.

With every good wish.

Ever sincerely,

CLAIBORNE PELL,
Chairman.

CHRIS DODD,
Chairman, Subcommittee on Western Hemisphere Affairs.

ALAN CRANSTON,
Chairman, Subcommittee on East Asian and Pacific Affairs

Mr. CRANSTON. Mr. President, of all the international efforts we make to achieve world peace and understanding, there is no greater contribution than that which the American people make through the Peace Corps. In this unique program, we share with the developing nations of the world the best of America—our people, our spirit, our ingenuity, and our compassion. Upon their return to this country, Peace Corps volunteers are a source of knowledge about another way of life that can be tapped to promote a broader understanding among Americans about peoples.

Mr. President, our nation and all of the other nations in which Peace Corps volunteers serve are immeasureably enriched by the contributions made by Peace Corps volunteers. These are dollars extremely well invested, and I urge all of my Senate colleagues to support this measure.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD at this point.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 842

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Peace Corps Act Amendments of 1987".

SEC. 2. AUTHORIZATION OF APPROPRIATIONS.

Section 3(b) of the Peace Corps Act (22 U.S.C. 2502(b)) is amended by amending the first sentence to read as follows: "There are authorized to be appropriated to carry out the purposes of this Act $130,000,000 for the fiscal year 1986, $137,200,000 for the fiscal year 1987, $146,200,000 for the fiscal year 1988, and $157,000,000 for the fiscal year 1989.".

SEC. 3. AUTHORITY TO ENCOURAGE CONTRIBUTIONS.

Section 10(a)(4) of the Peace Corps Act (22 U.S.C. 2509(a)(4)) is amended—

(1) by redesignating clauses (A) and (B) as subclauses (i) and (ii), respectively; and

DEMOCRACY AND THE DEBT CRISIS: A COMMENT

THERE has been much discussion of the causes of Latin America's current debt problems. One school of thought, which might be called "structuralist," seeks explanations for the current problem of Latin America's nonperforming loans in the relative size of various sectors of these economies. Such talk fastens upon, for example, the ratio of external debt to GNP, or the ratio of service payments to export earnings. While these comparisons can highlight economic trends, they do not speak to the fundamental causes of financial difficulties. A more fruitful way to pursue the issue is to consider the rate of return being earned by borrowed money in comparison with the rate of interest that must be paid back on it.

Not all Third World nations with substantial international financial obligations now find themselves in financial difficulty. The example of South Korea immediately comes to mind. Korea's foreign debt today approaches $50 billion: yet it seems to meet its payments of interest and principal on time and has not found it necessary to enter into "rescheduling" negotiations. Why is this? The answer is that to date, the government has managed to earn a higher rate of return on the foreign money it is putting to use than it is obliged to pay back in interest.

To my way of thinking, any discussion of a debt crisis in Latin America raises the question of how those funds were spent. What is the cause of what must obviously have been low rates of return on the enormous quantity of money borrowed? Understanding Latin America's current difficulties requires us to address this question directly and honestly.

Some claim that vast amounts of money have been lost to theft and corruption in Latin America over the past decade. I am not in a position to judge the accuracy of those claims. It is my inclination, however, to suspect that theft and corruption are not the main explanation for Latin America's current financial difficulties. From an arithmetic standpoint, the case does not look plausible. Simply put, it would be difficult for any person or group to steal the sum of money required to drive rates of return on borrowed funds down to the level that was reached by some of Latin America's debtor nations.

The explanation for these low rates of return, it seems to me, is largely to be found in a systematically unproductive application of public funds. Faced with easy access to credit from Western banks in the wake of the OPEC oil price increases, many governments seem to have adjusted their policies toward less, rather than more, productive uses of capital. This seems not solely to have been a question of pursuing ill-advised or mismanaged investment programs on the public account. In many nations much of the borrowed money appears to have been used to maintain unsustainably high levels of consumption for the general population through a complex and ambitious array of subsidies. Common rhetoric notwithstanding, these subsidies conferred immediate benefit on very broad portions of the populations in question. Indeed, their broad incidence was precisely the reason for their widespread popularity.

A chorus of voices is raised to insist that Latin America's debts to Western institutions are too large to repay. Professor Assmann seems to concur with these voices. His paper and his talk assert that it is quite impossible to make good on these debts.

If this point is pursued as a proposition in arithmetic, rather than ideology, it is not convincing. In most of the Latin American nations where the "rescheduling" of debts is under way, the public sector owns 40, 50, or even 60 percent of the country's industrial base. It is highly illogical to state, on the one hand, that a government owns half or more of a country's industrial base and to say, on the other, that it has no assets that might be sold to help repay its various international obligations. Many Latin American governments, not just Brazil and Argentina, also possess large tracts of public land that could also be sold if there were a serious intention to make good on contracted debts. I have not, to date, heard any discussion of such measures. There is a distinction between inability and unwillingness to pay a debt, and it must not be obscured.

Indeed, the policy changes that would enable Latin American nations to pay their debts more easily are not inconsistent with improved welfare of the masses, particularly of the poorest fractions of those populations. Far from it: the same policies that led to low rates of return on foreign debt also depressed exports, discouraged cost management in private and public enterprises, and restricted the opportunities of the less privileged segments of society for increased earnings and employment. Pursuit of more liberal trade regimens and domestic policies would perhaps increase the capability to generate not only export revenues, but also domestic output, demand for labor, and, ultimately, purchasing power for the poor.

Professor Assmann suggests that pressing the debt issue will jeopardize the prospects for democratization in Latin America. My own perspective is quite different. It seems to me that assuming full responsibility for the debt would *promote* democratization, not endanger it.

Two things that separate democracies from dictatorships are liberty and responsibility, secured by law. To qualify or reject one's obligation to repay contracted debts is necessarily to raise serious questions about both responsibilities and individual rights. Western nations, it is sometimes said, are dangerously strong. Western banks are often accused of having unfair bargaining power in their negotiations with debtor nations. Let us take such rhetoric at its face value. If the rights of the strong can be summarily repealed and dismissed, what does this portend for the weak? If a government willingly reneges on its obligations to other sovereign states, what does this suggest about its attitude toward those individuals who live under its administration? If law can be interpreted to allow violation of the rights of the influential at the pleasure of the state, what protections can the poor and defenseless expect? The poor and the weak are always more vulnerable to the abuse of power than the privileged. To deny protection or absolve responsibility for one segment of society is a perilous business, for it exposes all to risk. Thus, repudiating the debt would seem to lead Latin American nations away from true democracy, not toward it.

PREPARED STATEMENT OF SENATOR EDWARD M. KENNEDY

MR. CHAIRMAN, I AM PLEASED TO BE ABLE TO JOIN YOU AND SENATOR KASTEN TO SPEAK IN SUPPORT OF TWO BILLS DESIGNED TO ADDRESS THE TWIN CHALLENGES CONFRONTING AFRICA -- PARTICULARLY SOUTHERN AFRICA -- TODAY. THE FIRST IS TO HELP AFRICA RECOVER FROM THE DROUGHT AND FAMINE THAT HAS PLAGUED IT IN RECENT YEARS. THE SECOND IS TO HELP THOSE NATIONS CONFRONTING THE CHALLENGE OF SOUTH AFRICA AND APARTHEID.

LAST YEAR, SENATOR KASTEN AND I INTRODUCED THE "AFRICA FAMINE RECOVERY AND DEVELOPMENT ACT" TO ESTABLISH A PERMANENT AND MORE FLEXIBLE AUTHORITY WITHIN THE FOREIGN ASSISTANCE ACT TO DEAL WITH LONGER-TERM ASSISTANCE TO AFRICA.

BUT OVER THE PAST SEVERAL YEARS DROUGHT AND FAMINE CONDITIONS HAVE SPREAD TO MUCH OF SUB-SAHARAN AFRICA, AND WE FELT THERE WAS AN URGENT NEED TO BROADEN AND STRENGTHEN THE AUTHORITIES IN OUR LAW TO ASSIST THEM IN A MORE EFFECTIVE AND SUSTAINED WAY.

MR. CHAIRMAN, I BELIEVE ALL AMERICANS CAN BE PROUD OF WHAT OUR COUNTRY HAS DONE OVER THE PAST DECADE TO HELP THE STARVING PEOPLES OF AFRICA. U.S. AID -- CONTRIBUTIONS FROM THE CHURCH AGENCIES, AND PRIVATE DONATIONS -- HAVE SAVED MILLIONS OF LIVES. BUT WE CANNOT AFFORD TO RELAX NOW. WE MUST BEGIN TO PREPARE FOR THE LONGER TERM.

THE CENTRAL CHALLENGE TODAY IS TO ACHIEVE SELF-SUFFICIENCY, TO MAKE SURE THAT THOSE NATIONS NOW SUFFERING RECURRENT DROUGHT AND FAMINE IN AFRICA CAN ONE DAY FEED THEMSELVES AGAIN. TWO DECADES AGO, THE SAME QUESTION WAS

POSED -- AND ANSWERED AFFIRMATIVELY -- IN ASIA. IN THE 1960S THE UNITED STATES ACTED TO AVERT REPEATED FAMINE IN INDIA, BUT TODAY INDIA FEEDS ITSELF, THANKS TO TIMELY INTERNATIONAL ASSISTANCE AND APPROPRIATE AGRICULTURAL REFORMS.

THAT IS THE PURPOSE OF THE BILL WE SPONSORING. AS WE DID IN THE SAHEL A DECADE AGO, THIS BILL WILL MOVE US FROM AN EMERGENCY RELIEF EFFORT TO PROGRAMS AIMED AT REHABILITATION AND RECOVERY, AND FINALLY TO LONGER-TERM AGRICULTURAL DEVELOPMENT. AS IN THE SAHEL, WE NEED LONGER-TERM AUTHORITY IN OUR FOREIGN ASSISTANCE PROGRAM TO LAUNCH THIS LONGER-TERM EFFORT TO HELP THE AFRICAN NATIONS RECOVER FROM DROUGHT AND FAMINE, TO ACHIEVE AGRICULTURAL AND ECONOMIC REFORMS AND, HOPEFULLY, TO BECOME SELF-SUFFICIENT IN FOOD PRODUCTION.

THE KEY TO AVOIDING FUTURE FAMINES, AND TO MINIMIZING THE EFFECT OF DROUGHTS WHEN THEY DO OCCUR, IS TO PURSUE BROAD AGRICULTURAL REFORMS. ULTIMATELY, THE AFRICAN NATIONS THEMSELVES MUST MAKE A COMMITMENT TO REFORM. HOWEVER, THEY CAN DO SO ONLY IF THEY OBTAIN HELP FROM OTHER COUNTRIES. THE UNITED STATES SHOULD MAKE CLEAR THAT IT IS READY TO RESPOND GENEROUSLY TO NATIONS THAT PURSUE POLICY REFORMS, AND TO REWARD THEM WITH ADDITIONAL ASSISTANCE WHEN THEY DO.

THE BILL'S AUTHORIZING LANGUAGE ALSO EMPHASIZES AGRICULTURAL RESEARCH AND SUPPORT FOR SMALL FARMERS. THERE IS WIDESPREAD AGREEMENT THAT THE BEST METHOD TO INCREASE FOOD PRODUCTION IN AFRICA IS TO STRENGTHEN RURAL FARMERS, WHO ARE FREQUENTLY NEGLECTED OR IGNORED IN CURRENT GOVERNMENT PROGRAMS AND AGRICULTURAL EXTENSION SERVICES.

FINALLY, THE BILL EMPHASIZES THAT THE CRISIS IN AFRICA REQUIRES A GLOBAL INITIATIVE, AND STRESSES THE IMPORTANT ROLE OF INTERNATIONAL ORGANIZATIONS AND MULTILATERAL INSTITUTIONS, AS WELL AS THE VOLUNTARY AND CHURCH AGENCIES. IT RECOGNIZES THAT INTERNATIONAL ORGANIZATIONS ARE PARTICULARLY SUITED TO UNDERTAKE PROGRAMS IN MATERNAL AND CHILD HEALTH, PRIMARY HEALTH CARE, REFUGEE SELF-SUFFICIENCY AND STRENGTHENING OF HOST COUNTRY SOCIAL INFRASTRUCTURE, DONOR COORDINATION, WOMEN'S ROLES IN AFRICAN FOOD SYSTEMS, FOOD STRATEGY PLANNING, REPLENISHMENT OF NATURAL RESOURCES, POPULATION PLANNING, AND RESEARCH RELATED TO INCREASING AFRICAN FOOD PRODUCTION. THESE ORGANIZATIONS INCLUDE THE U.N. DEVELOPMENT PROGRAM, UNICEF, THE U.N. HIGH COMMISSIONER FOR REFUGEES, WORLD HEALTH ORGANIZATION, FOOD AND AGRICULTURE ORGANIZATION, AND THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT. THE WORK OF ALL THESE ORGANIZATIONS IN AFRICA CAN BE SUPPORTED BY THIS FUND.

THE SECOND BILL BEFORE YOU TODAY, MR. CHAIRMAN, IS TO HELP CONTINUE THE STRUGGLE AGAINST APARTHEID.

LAST YEAR, CONGRESS PASSED THE ANTI-APARTHEID ACTION ACT OF 1986, AND TODAY THE UNITED STATES STANDS AS THE WORLD LEADER IN THE INTERNATIONAL CAMPAIGN TO END APARTHEID IN SOUTH AFRICA. IN PASSING STRONG ECONOMIC SANCTIONS AGAINST THE GOVERNMENT OF SOUTH AFRICA, CONGRESS REPUDIATED THE POLICY OF CONSTRUCTIVE ENGAGEMENT AND SENT A MESSAGE TO THE PEOPLE OF SOUTH AFRICA -- THAT THE AMERICAN PEOPLE ARE FIRMLY ON THE SIDE OF FREEDOM INSIDE SOUTH AFRICA.

THIS YEAR, WE NEED LEGISLATION THAT WILL PUT FLESH ON THE BONES OF LAST YEAR'S COMMITMENT. THIS YEAR, WE ARE URGING

CONGRESS TO ENLIST IN THE EFFORT TO PRESERVE THE INDEPENDENCE AND INTEGRITY OF SOUTH AFRICA'S NEIGHBORS WHO ARE BESIEGED AND BELEAGURED BY THE FORCES OF APARTHEID.

THE PURPOSE OF THIS BILL IS TO MAKE CONCRETE OUR COMMITMENT TO ASSIST THE STRUGGLING NATIONS THAT BORDER ON SOUTH AFRICA. BY PROVIDING INCREASED ASSISTANCE TO THE FRONT LINE STATES THIS YEAR AND, BY MAKING A FIVE-YEAR PLEDGE OF SUPPORT FOR THE FUTURE, WE WILL BE TELLING THE PEOPLES OF SOUTHERN AFRICA THAT THE AMERICAN PEOPLE ARE INVOLVED IN THEIR STRUGGLE AND THAT WE HAVE A STAKE IN THE OUTCOME. THE UNITED STATES SHOULD BE HELPING THE NATIONS AT THE FRONT LINE STATES IN THEIR EFFORT TO ACHIEVE ECONOMIC INDEPENDENCE FROM SOUTH AFRICA AND TO PRESERVE POLITICAL INDEPENDENCE IN THE FACE OF THE THREATS AND ATTACKS FROM THE ARMIES OF APARTHEID. IT IS NOT ONLY THE RIGHT THING TO DO, IT IS ALSO IN THE LONG-TERM INTERESTS OF THE UNITED STATES FOR AMERICA TO BE CLEARLY AND VISIBLY IDENTIFIED WITH THE FORCES OF FREEDOM IN SOUTHERN AFRICA.

IN CONCLUSION, MR. CHAIRMAN, I WANT TO COMMEND YOU FOR HOLDING THESE HEARINGS AND FOR YOUR COMMITMENT TO MOVE EXPEDITIOUSLY ON BOTH OF THESE BILLS WHICH WILL, I BELIEVE, GIVE SUBSTANCE TO AMERICA'S COMMITMENT TO HELP AFRICANS HELP THEMSELVES, AND TO HELP THEM FIGHT APARTHEID.

PREPARED STATEMENT OF SENATOR ROBERT W. KASTEN, JR.

MR. CHAIRMAN, WE HAVE SEEN THE WILLINGNESS OF THE AMERICAN PEOPLE TO COME TO THE AID OF THE STARVING IN AFRICA, BUT WE CAN NO LONGER AFFORD TO RELY ON ONE BAND-AID TYPE EFFORT AFTER ANOTHER TO EASE THE CONTINUING CRISIS OF HUNGER AND STARVATION. WE NEED A NEW, LONG-TERM VIEW, A LONG-TERM DEVELOPMENT STRATEGY IN OUR FOREIGN ASSISTANCE PROGRAMS IN AFRICA.

MOST OF THE COUNTRIES OF AFRICA LIVE AT THE EDGE OF LIFE, THEIR PEOPLE EEKING OUT A BARE SUBSISTENCE ON LAND RESOURCES CONSISTENTLY PRESSURED BY DROUGHT, DESERTIFICATION, AND POOR AGRICULTURAL PRACTICES. CLEARLY, A SPECIAL EFFORT IS REQUIRED, AND MORE CLEARLY, WE NEED A RE-DIRECTION IN THE WAY ASSISTANCE PROGRAMS ARE CARRIED OUT ON THAT CONTINENT.

THE LEGISLATION WHICH WAS INTRODUCED LAST TUESDAY IS A START IN THAT DIRECTION. I KNOW THAT BOTH SENATOR KENNEDY AND I AND OUR STAFFS ARE ANXIOUS TO CONTINUE TO WORK WITH YOU IN ORDER TO FURTHER IMPROVE THE LEGISLATION. I RECOGNIZE THAT THERE ARE ELEMENTS OF IT WHICH NEED TO BE REFINED, AND WE OF COURSE, WOULD LIKE TO TRY AND BE HELPFUL IN THAT EFFORT BEFORE THIS COMMITTEE MARKS UP AUTHORIZATION LEGISLATION FOR THE YEAR.

I WOULD LIKE TO TOUCH ON TWO AREAS OF SPECIAL CONCERN TO ME, WHICH I BELIEVE MIGHT REQUIRE SOME MODIFICATION.

FIRST OF ALL, WHILE OUR BILL, AS INTRODUCED ON TUESDAY, RECOGNIZES AND UNDERSCORES THE ROLL OF POLICY REFORM, AND THEREFORE PROGRAM ASSISTANCE, I MIGHT SUGGEST THAT PERHAPS EVEN A STRONGER EMPHASIS TO POLICY REFORM BE GIVEN IN THE FINAL PRODUCT. DEVELOPMENT EXPERTS HAVE ALWAYS RECOGNIZED THAT THE FIRST PREREQUISITE FOR DEVELOPMENT

ARE GOOD GOVERNMENT POLICIES. INDEED, THIS IS SOMETHING WHICH HAS BEEN INCREASINGLY RECOGNIZED BY AFRICAN LEADERS. IN THE U.N. GENERAL ASSEMBLY SPECIAL SESSION ON AFRICA, A CONSENSUS DEVELOPED AMONG AFRICAN LEADERS THAT ECONOMIC POLICY REFORM IS ABSOLUTELY ESSENTIAL TO REVERSE THE PRESENT CRISIS ON THAT CONTINENT. THEREFORE, AS WE REFINE THIS LEGISLATION, I DO THINK THAT WE MIGHT WANT TO PUT MORE EMPHASIS ON POLICY REFORM.

IN CLOSING, MR. CHAIRMAN, I WOULD LIKE TO BRIEFLY COMMENT ON THE EARMARKING IN THE LEGISLATION OF NO LESS THAN 30% FOR HEALTH, POPULATION AND NATURAL RESOURCES. I SUPPORT THAT COMPROMISE, ESPECIALLY AS OPPOSED TO SOME PROPOSITIONS THAT HAVE BEEN MADE THAT WE SHOULD SPECIFICALLY EARMARK VARIOUS FUNCTIONAL AREAS AND PERHAPS EVEN ADD ADDITIONAL EARMARKS FOR OTHER FUNCTIONAL AREAS. ONE OF THE PRIMARY THINGS THAT SENATOR KENNEDY AND I RECOGNIZED AS WE DEVELOPED LEGISLATION LAST YEAR, WAS THAT A NEW APPROACH TO FUNDING AFRICA PROGRAMS WAS REQUIRED IN ORDER TO GET AWAY FROM THE LIMITATIONS OF THE FUNCTIONAL ACCOUNTS -- SIMPLY REPLACING THOSE WITH OTHERS IS NOT WHAT NEEDS TO BE DONE. I WOULD HOPE THAT THE LEGISLATION WOULD GO NO FURTHER THAN WHAT IS IN THE INTRODUCED LEGISLATION ON THIS PARTICULAR ISSUE.

ONCE AGAIN, MR. CHAIRMAN, I WOULD LIKE TO EXPRESS MY APPRECIATION TO YOU AND TO SENATOR KASSEBAUM AS WELL FOR JOINING IN THIS EFFORT, AND FOR GIVING THIS LEGISLATION AN EARLY HEARING. WE ALL THANK YOU.

PREPARED STATEMENT OF ROY STACY

Mr. Chairman, thank you very much for this opportunity to testify on behalf of the Administration's FY 88 Foreign Assistance Request for Africa. Assistant Secretary Chester Crocker had very much looked forward to being here with you today, but as you know, President Reagan will be meeting very shortly with Kenya's President Moi, who is in Washington on an official visit, and it was necessary for Dr. Crocker to postpone his first meeting with the Subcommittee during this Congress until another time. He has asked me to reiterate his desire to work closely with you and his wish to be available to the Subcommittee at an early, mutually convenient time.

I wish to begin by drawing the Subcommittee's attention to the Administration's proposal for a Development Fund for Africa -- a legislative initiative which shares many elements in common with Congressional proposals put forward last year and this year. I am pleased to note that the general thrust of these initiatives is the same and I believe we share many of the same goals. We both share similar convictions about the necessity of trying to improve the effectiveness and constructive impact of U.S. aid programs in Africa. I know we share the same perceptions of the opportunities before us to advance U.S. interests by laying a stronger basis for a partnership with the nations of Africa.

THE US TIE TO AFRICA:

Our national interest in a strong, healthy, enduring relationship with Africa was demonstrated by Secretary Shultz's visit to 6 countries across west, central and east Africa in January of this year. Although not presently a significant trading partner of the more economically-advanced industrialized democracies, Africa's size and population make it a potentially important commercial and economic market. Its coasts border crucial shipping lines of communication between Europe, the Middle East, South Asia, and the Far East. Its geography guarantees it a role in access to and security of the northern and western Indian Ocean and the South Atlantic. Although much has been written about its currently exploited mineral resources, few publications or analysts have made the explicit point that Africa almost certainly contains the majority of this planet's still-undiscovered mineral resources. Its current mineral production is essential to U.S. industry and commerce; Africa is at this time virtually the only economically-affordable source of many strategic minerals such as cobalt, chromium, and the platinum family of metals. Africa has vast hydroelectric and agricultural potential which has scarcely been developed, let alone exploited. Its nearly 50 countries comprise almost one-third of the members of the United Nations, the single most cohesive voting bloc in the UN. These countries play an increasingly significant role in the formation of UN positions and policies which are of great importance to the U.S. -- on terrorism, human rights, refugee affairs, Middle East peace talks, to name just a few. A report currently being prepared for the Congress will make the point that this immediately-past year, like the two before it, there was an increased coincidence of African voting positions with those of the US -- as opposed to their previous strong alignment with the position of our major strategic adversary.

Finally, I do not believe we can or should simply ignore or skip lightly over the fact that nearly 12 per cent of America's own population traces its roots to Africa. Africa is therefore important to us, as a people, in cultural and historic terms. African countries' surge toward independence took place at the same time that we were engaged in our own renewed civil rights struggles in the 1960s. Thus, the US has a strong humanitarian and national interest in helping Africa meet the basic human needs of its people and realize its full human and development potential.

In that regard, the US has a very strong interest in sustaining the remarkable trend in policy reform and structural adjustment that is sweeping Africa. This U-turn away from socialist economics and anti-growth statism is one of the unheralded successes of US Africa policy. So far, we are winning this war of economic ideology, but it must be reinforced and deepened, and that is a matter of vital national interest to the U.S. Therefore, I will plan to return to the subject later on in my testimony.

SECURITY INTERESTS:

The Administration seeks modest, but essential, security assistance funding for FY 88 -- $98.0 million in MAP, $5.0 million in FMS concessional credit, $10.5 million in IMET, and $100.0 million in ESF.

Our security assistance program is designed to strengthen our bilateral relationship with countries who agree with and support our strategic concern about the northwest Indian Ocean; it is intended to materially support those nations actively resisting external aggression and externally instigated domestic destabilization; it is carried out with an intent to deny opportunities for Soviet, Cuban, and Bloc adventurism throughout the region.

It has on occasion been asserted that the Administration's policies have contributed to instability in Africa by emphasizing military over economic assistance -- by "militarizing", or contributing to the "militarization" of the continent. I categorically reject that argument. The record, Mr. Chairman, quite plainly shows the opposite. During the first five years of this Administration, economic assistance accounted for more than 80% of our total assistance to Africa. When one considers emergency humanitarian assistance, the ratio is even greater in terms of providing for elementary and fundamental human needs. In FY-86 the ratio was nine dollars of economic assistance for every dollar of military assistance; and, in FY-87 it is fourteen dollars of economic aid for every dollar of military aid. If the Administration's request for FY-88 is enacted into law, the ratio will still be nine to one in favor of economic aid.

I think it is important to note, Mr. Chairman, that U.S. military assistance to (sub-Saharan) Africa since the Reagan Administration came to office has been only 3 percent of total military assistance provided by all outside countries to Africa.

Since 1980 the U.S. has provided $568 million in military help, and $388 million of that total -- well over half -- has been focussed in the three countries where we have demonstrable, tangible, strategic interests -- Sudan, Somalia, and Kenya. By contrast, the USSR has provided $11.7 billion in military hardware during the same period. The U.S. ranks but sixth among providers of arms to Africa.

I want to emphasize that U.S. military assistance is centered on training, logistics, maintenance, engineering, and transportation -- areas that contribute to basic military capability as well as to infrastructure improvements and nation-building capacity. In only very few cases have we provided lethal assistance, normally in circumstances similar to the current one in Chad, where a friend faced a demonstrably externally-incited, directed and provisioned aggression.

With the advent of the Africa Fund initiative, we have considerably reduced our request for ESF to $100 million for FY-88, which now is proposed only for the countries where we have specific strategic or security interests: Chad, Djibouti, Kenya, Somalia, Liberia, Senegal, Seychelles, and Sudan. These eight countries figure prominently in our national security strategy in terms of either conflict resolution (their weight or influence in African councils) or military access (pre-positioning of supplies, overflight rights, possible staging areas), and are vital components of our national security interests for the future. They are important not just in terms of our own strategic posture, but also as signals of U.S. resolve to other African countries. I believe it is important to note that while the justification for ESF for these countries is based on U.S. security interests, the actual application of the assistance would be economic and developmental. So, rather than asking for $100 million in military assistance for U.S. security needs, we are requesting $100 million in economic assistance, to support development and even policy reform which will strengthen our democratic partners in Africa. The principal immediate use of these funds would be to support structural adjustment and economic policy reform in the eight key recipient countries.

Mr. Chairman, the political and security interests with Africa which I have just outlined are priorities that would rank high on any hierarchy of global interests. We reject the idea put forward by some that Africa is a "residual" in our foreign policy, something expendable when the going gets rough.

AFRICA'S COMMITMENT TO ECONOMIC REFORM:

I would now like to return to the subject of policy change. No single program is more important to the overall health of African countries than economic reform.

Possibly the most important development in the past half-dozen years has been the growing recognition among Africans that they need to come to grips with the financial and human cost of misguided economic policies. The U.S., by means of the legislation under consideration, would help sustain and move Africa's economic adjustment toward policies that will stimulate investment, and incite new growth and the spread of development and employment opportunities. As we have all seen, in countries beginning to take the first brave steps toward a re-ordered and re-invigorated economic process, these changes are not easy and are not without heavy political costs to the governments involved. But without solid economic policies and well-managed market-oriented economies, all our and Africa's other strategic and humanitarian interests will be in jeopardy. There is an enormous opportunity today to solidify the foundations that must underpin all our economic and strategic interests. This is an opportunity which, notwithstanding our own painful budgetary realities, we cannot afford to let pass us by.

The mature partnership we seek with Africa took a major step forward last May at the UN-sponsored "Special Session on the Critical Economic Situation in Africa". It was the first such U.N. Special Session to focus on the economic needs of a single region -- an event which highlighted the change in Africa's economic direction. Even more remarkable was the degree of consensus among African nations themselves and donor countries on what needs to be done to arrest Africa's economic decline and begin the long road back to sustainable growth. Candidly, African nations have recognized, and have had the great courage to do so publicly, that past statist policies have failed to produce the economic growth needed to improve the living conditions of their peoples.

At the UN Special Session, the Africans presented an action program which, among other things, included a commitment to give priority to agriculture and to undertake a variety of other economic, fiscal, and policy reforms. They also pledged to strengthen investment incentives, review public financing policies, improve economic management, and encourage domestic resource mobilization and the role of the private sector.

No fewer than twenty-two sub-Saharan African countries in the IDA-eligible category have embarked on or are about to initiate major structural reform programs. Let me cite just a few examples:

-- Senegal has substantially increased agricultural producer prices, reduced subsidies, embarked on reform of its parastatal sector, reduced tariffs on industrial products, opened rice trading to the private sector, and raised utility rates to minimize the burden on the national budget.

-- Zaire and Zambia have devalued their currencies, eliminated most trade and price controls, and increased agricultural prices.

-- In Zaire, in addition, the government has established a market-based foreign exchange system.

-- Zambia, meanwhile, has introduced a foreign exchange auction for most commercial transactions.

-- Kenya has mounted a major stabilization effort, liberalized import licensing and maize and fertilizer marketing, and adopted a flexible exchange rate policy.

-- Somalia and Uganda have liberalized prices for a variety of agricultural products. They have been rewarded with large increases in agricultural production.

-- Guinea closed down its entire state banking system and allowed the establishment of three commercial banks.

-- Ghana has changed its financial policy so that interest rates, which used to be highly negative in real terms, are now positive.

The above listing is illustrative and is not intended to be comprehensive. For a more detailed description of the African reform process, I would like to insert into the record a paper entitled "A Summary of Some Development Effects of African Economic Reforms".

many of the benefits to the masses, particularly at the lower end of the economic ladder, will take time, but some early results can already be seen. In general, adjustment programs are more likely to have a positive redistribution of income effect by correcting discrimination against the rural sector, a bias which has hurt the poor. In most cases, income transfers under adjustment programs -- from urban consumers to farmers, and shifts in public expenditures to less capital-intensive urban-based projects -- improve the equity of income distribution and strengthen the anti-poverty focus in government programs.

However, the adjustment process has not been without cost. Using a sample of thirteen countries which have launched structural adjustment programs and for which reliable statistics exist, the World Bank reports that consumption in many of them has been declining for a number of years and that all but one (Ghana) are likely to see per capita income consumption stagnate or decline further in the next three years. Each of those 22 reform programs strikes at the heart of the constituencies on which political power, patronage, and the support of the forceful urban elites have been based. Clearly, such belt-tightening carries with it considerable risk for reformist governments. Staying the course will be increasingly difficult, and that is why it is so important that the U.S. be willing, in effect, to put its money where its mouth is -- to support our friends as they try to put into effect the very reforms we have been trying so hard to get them to face up to. In doing so, we must not stand idly by while they run -- alone -- the substantial political risks and costs that will be so incurred.

Just to maintain current levels of per capita income over the period 1987-89, substantial resources over and above those in sight need to be found. For six countries -- Zambia, Zaire, Senegal, Niger, Madagascar, and Tanzania -- this gap could amount to an additional $700 million per year. Moreover, the quality of assistance, and its timeliness and responsiveness to political and economic priorities, must also be improved.

THE U.S. RESPONSE

The U.S. has been at the center of the growing dialogue with African countries. Between 1980 and 1985, Development Assistance (DA) and Economic Support Funds (ESF) to Africa increased sharply, reaching $770 million dollars in 1985. Regrettably, the trend was reversed in 1986, with DA/ESF assistance to Africa dropping to $603 million. In 1987, the downward trend continued, driven by Gramm-Rudman targets and a failure by Congress to appropriate the funds necessary to sustain our global foreign policy objectives. Excluding the FY-87 Supplemental request submitted to Congress, DA/ESF assistance to Africa in FY-87 is projected at $478 million. However, even if the Supplemental request of $50 million were approved for Africa, the level in 1987 would still be only $528 million -- a decline of 31 percent relative to 1985.

Fortunately, the outlook for 1988 is somewhat better, but the needs are still great. The Administration has put together an economic and security asssistance request that we believe is responsive to Africa's requirements but which still takes into account our own painful budgetary stringencies. It is absolutely vital that Congress fund the Administration's FY 88 request in full; without the FY 87 Supplemental and the full funding of our FY 88 request, we will be unable to reverse the downward trend of assistance to Africa. In this regard, Secretary Shultz's recent comments on the foreign affairs budget are worth repeating:

> "The President's foreign affairs budget might usefully be looked upon as a form of national insurance. In asking the Congress to devote only two cents out of every budget dollar to our foreign policy goals, the President has determined the minimum premium we must pay as a people to safeguard the peace and lead the free world. Those who would cut the foreign affairs budget even further are gambling needlessly with our nation's future.
>
> "No one can say for sure how large the gamble will be. We know we pay some price every day in terms of lost opportunities to influence events. Perhaps a crisis that could have been averted today by timely and relatively inexpensive military or economic assistance, or through diplomatic efforts, will explode in our faces the day after tomorrow."

THE DEVELOPMENT FUND FOR AFRICA

This brings me to the main topic of today's hearing -- the Administration's proposal for a Development Fund for Africa.

Following an exhaustive interagency examination of our relationship with Africa, we came to the conclusion that, at this time of budgetary constraints, we needed to make better use of our limited aid resources in Africa and that the Development Fund for Africa would do just that. The Fund brings important new features to our assistance program, including a special long-term commitment to Africa, no-year funding, and the elimination of functional accounts.

The Africa Fund provides the balance that we need at this moment in Africa's economic development. It would enormously facilitate our ability to promote growth and long term development in Africa and is more responsive in timeliness to the wave of economic reform that must be the foundation for sustainable development. The Fund would provide both project assistance at the village level as well as quick-disbursing program assistance to support policy realignment at macro and sector levels. I should stress that the Administration -- and the Africans themselves -- do not see these types of assistance as an "either/or" proposition. Both are essential and are mutually supportive. Without a proper macroeconomic or sector framework, many projects would be doomed to failure. Conversely, without projects, targetted activities in population, environmental management, health, and child survival would be hampered.

Since my AID colleague will be addressing the programmatic assistance content of the Fund, I will limit my testimony to two major programs incorporated in the Fund: The African Economic Policy Reform Program and the Southern Africa Initiative.

AFRICAN ECONOMIC POLICY REFORM PROGRAM:

This Administration believes strongly that a continuing flow of U.S. assistance at statistically-significant levels is necessary to sustain the continent-wide abandonment of statist strategies and assist African international competitiveness. Consolidation of these trends would constitute a major American success and a significant defeat for our adversaries' influence in the Third World. The economic bind in which most African states find themselves, and the prevalence of one-party and military regimes, tend to promote a search for radical solutions while creating low-cost openings for Libya and the Soviets. An African disavowal of statism has the potential, over time, to transform the African politico-economic landscape to the advantage of both African peoples and the United States.

Market economics and private sector-led development are now on trial in Africa as government after government feels the public outcry from the austerity measure inherent in structural adjustment and economic reform. Our goal must be to keep our partners headed in this direction and to demonstrate convincingly that it is the West, not the Soviet bloc, that is the natural and effective partner of African countries seeking to develop and modernize.

The African Economic Policy Reform Program (AEPRP) -- a program designed to support market-oriented policy reforms in Africa -- is one of most effective instruments the U.S. has for this. Originally designed as a $500 million five-year program, the AEPRP has had to be scaled back because of severe budget pressures flowing from the low level of foreign assistance appropriations. In the first three years of this program's existence, allocations for the AEPRP totalled $150 million -- about half the amount foreseen for the period. Nonetheless, although much more could have been accomplished with increased funding, the AEPRP has played an important role in sustaining reform in such countries as Zambia, Malawi, Rwanda, Mali, Mauritius, Senegal, Togo, Guinea, and Zaire. Moreover, the AEPRP has had an important catalytic effect in introducing policy reform criteria into programs funded from the World Bank and other sources. The AEPRP has provided us with a capacity to conduct a dialogue with and to assist African reform efforts, and to influence multilateral institutions and other donors with additional resources to commit to Africa. This reason alone would justify the existence of a substantial AEPRP as a separate program within the Development Fund for Africa.

THE SOUTHERN AFRICA INITIATIVE

Southern Africa's political orientation, stability, and economic well-being are central to U.S. policy. America's national interest in the region is best served by a community of pluralistic, representative societies which are secure from external threats and which are supported by open and competitive economies. This is also what the peoples and governments of southern Africa have professed to aspire to. The alternative -- economic regression, lack of progress in solving the political problems of the region, and increased militarization and resort to violence -- can only provide opportunities for those who wish ill toward the U.S. and who seek to promote southern African instability and expand their influence in the region.

Without skillful U.S. diplomacy, active coordination with our allies, and well-crafted aid and investment programs, positive trends toward economic reform and dissociation from the Soviet bloc could be overwhelmed by a combination of South African actions, Front Line State susceptibility to Soviet offers of military assistance, and rising violence.

For these reasons as well as our interest in retaining Western access to southern African strategic mineral and metal supplies, we must remain actively engaged in promoting peaceful change and economic growth in South and southern Africa. It is clear beyond question that there is new thinking about political change and economic growth taking place in the region, and inside South Africa specifically. The fact that increasing numbers of South Africans are beginning to talk about what should replace apartheid and that the Front Line States have withheld action on their own sanctions, is itself evidence of the forces of change at work. Our goal, as a nation, must be to encourage change and give it substance and support. Adequate funding for the Southern Africa Initiative is essential to the pursuit of these objectives.

The Southern Africa Initiative -- which would provide funding for promotion of trade and investment, market-oriented policy reform, and improvement of regional transportation links -- spells out a positive vision for the region, not a destructive one based on threats, sanctions and counter-sanctions and polarizing recriminations. This is precisely a time when the U.S. and our allies should be seeking to maximize our influence and our leverage. We need to exert every possible effort to avoid damaging the economic, social and political futures of the people and governments of southern Africa which we seek to help. Tangible support by the United States for the region's economic health will send powerful and positive signals to both the South African Government and the black-ruled states of the region at a time when negative alternative scenarios loom darkly on the horizon.

The Western donors' commitment to the economic development of a free southern Africa is clear. Our allies are already doing more. U.S. assistance to the area has been impressive, totalling $1.2 billion in the 1981-85 period, but our share as a percentage of total Western bilateral and European Community assistance is relatively small -- about 15 percent. Our Western European allies are heavily engaged in southern Africa through bilateral as well as multilateral programs. For example, the European Community, under the five-year commitments made in 1986 at Lome III, projects giving $1.7 billion to the region with about 40 percent of funding directed to the transport sector. The Dutch provide nearly $230 million annually to southern Africa, and the United Kingdom is enlarging both its aid to SADCC and to Mozambique. The five Nordic countries have announced a 50% increase in total aid to the southern African region, from $2 billion over the past four years to $3 billion in the next similar period. Italy has reported a total pledge to southern African regional projects of $150 million, representing about one-third of total Italian aid to sub-Saharan Africa.

The overall European commitment to the transport sector, SADCC's highest priority, is to be commended. The first phase of the rehabilitation of the often-talked-about Beira Corridor in Mozambique has now been fully subscribed by European donors.

I also wish to mention the important contribution of the private sector, particularly from Zimbabwe, to the rehabilitation of the Beira Corridor. A private-sector Beira Corridor Group, which includes U.S. companies, has been established expressly for this purpose. Zimbabwean businesses are investing in the transportation infrastructure and are planning industrial and agricultural ventures in the Corridor area that will help to revive the troubled Mozambique economy. Zimbabwean private sector firms are contributing throughout the region to the strengthening of national economies. Through trading and developing investment relationships, these firms provide food, capital and consumer goods, and spin-off employment opportunities that not only stimulate neighboring economies but serve as a model to show neighboring governments how a healthy private sector can lead to growth and benefits for all.

We have a supplemental request before Congress for a "down payment" for this vitally important initiative. Assuming favorable action on the 1987 Supplemental and FY 1988 requests, $93 million in additional funding will be available for the first 18 months of this Initiative. The full five-year funding of the Initiative would certainly not place the U.S. out in front of our allies in southern Africa who, as I have indicated earlier, are committed to doing more themselves. I should add that the Southern Africa Initiative has been included in the Development Fund for Africa because it is in conformity with the Fund's principal objectives: long term development and policy reform.

Mr. Chairman, given the importance we attach to this region, I wish to enter into the record our program planning and policy document for southern Africa, entitled "An Initiative for Economic Progress in Southern Africa". It responds to the requirements of Section 505 of the Comprehensive Anti-Apartheid Act of 1986, and supports our request for an FY 1987 Supplemental and our FY 88 request for funding.

U.S. MULTILATERAL ACTIONS

On the multilateral front, the Administration has also played an important catalytic role. Last year, the IMF and World Bank Executive Boards approved a U.S. proposal for a Structural Adjustment Facility using 2.7 billion SDR's in Trust Fund reflows. These reflows will be channelled to low income countries -- primarily in Africa -- with protracted balance of payments problems.

The Structural Adjustment Facility will provide substantial support to countries engaged in major structural adjustment programs, thereby alleviating their financial pressures.

We have also agreed to support a substantially larger IDA VIII replenishment which, together with voluntary contributions, will total about $12.4 billion. Our contribution will be the largest, with a total pledge of $2.875 billion. Under IDA VIII, Africa's share will rise to between 45-50 percent. This compares with $9.0 billion for IDA VII and an African share of 36 percent.

Negotiations for the African Development Bank's Fourth General Capital Increase have been completed and we expect the Board of Governors to give their approval by June. The proposal under consideration posits a 200 percent increase in the Bank's capital base. This would be the largest ever. In addition, talks are just beginning on the fifth replenishment of the African Development Fund, the AfDB's soft loan window.

I believe it is extremely important that the Congress look carefully and seriously at the issue of US funding for the international lending institutions; in Africa, the multinational banks provide nearly four times the amount of the entire US bilateral assistance program. Yet we are falling behind on our pledges to replenish funds for these institutions, and, seeing the US fall further into arrears, our major industrialized partners and allies may be tempted to let up on their own solemn commitments. This would have disastrous effects for Africa, for whom, in many respects, the possibility of borrowing from an international financial institution may be the best alternative to putting themselves into hock or escrow to the Soviets and others of our adversaries.

These additional multilateral financial flows will clearly help but, as stated earlier, more flows are necessary in many African countries just to sustain current per capita income levels. We therefore urge full funding of the Administration's FY 88 request for Africa.

HUMAN RIGHTS:

Mr. Chairman, this is not the place to catalogue Africa's recent record in the field of human rights; that record is fully portrayed in our 1986 Human Rights report which has just recently been delivered to the Congress. But I would like to emphasize the fact that human rights concerns and an interest in fostering respect for democratic norms are a key ingredient of this country's Africa policy and of our relationships with the diverse countries of that continent. Aware as I am of your own strong commitment to these goals, I want to reaffirm to you and to your Sub-Committee that I share that commitment, and underscore my own belief that the U.S. can be and should be proud of what it has done and is trying to do to advance human rights goals in Africa. In fact, I am prepared to say categorically that no other country is doing more. No other country has argued more forcefully for respect for human rights; no other country ties its economic assistance and political ties more explicitly to respect for human rights; no other country -- as a country -- produces an annual report on human rights performance of every country in the world as part of its diplomatic practice. Although the human rights component is only one of a large array of factors in our relationship with other countries, it is a very important one. I think it is worth taking note of some representative examples from Africa where human rights issues are important to our policy:

-- Sudan enjoyed a return to democracy in 1986, but continues to suffer from the effects of a protracted ethnic and cultural conflict compounded by foreign intervention. We have consistently pressed for movement toward national reconciliation there.

-- In Liberia, there has been some improvement in political conditions and the 1986 municipal elections were apparently conducted in a fair and open manner. But much mistrust still lingers over the 1985 national elections and subsequent coup attempt, and the Liberian Government is working to overcome the effects of earlier press bannings and repression against opposition groups. We have welcomed these developments and are urging further progress in dealing with the problems that remain.

-- In Uganda, President Museveni's government appears to have brought peace through much -- if not all -- of the country, and he is committed to healing the wounds of war and to progress toward national reconciliation and economic recovery. Our aid program, albeit small, gives us credibility on economic reform issues and moral influence on account of our strong position against the human rights abuses of previous regimes.

-- As a close friend, we are concerned about the human rights situation in Kenya, particularly the Kenyan Government's recent actions against political dissidents. Kenya has an open political system which has demonstrated a capacity to conduct dialogue and debate on issues of national importance in a fair and responsive manner in the past. We believe that adherence to these standards would result in a stronger and more vibrant democracy.

-- In Ethiopia, on the other hand, the process of villagization continues unabated, and that country's government seeks unswervingly to implement a true marxist state.

-- In Angola, I regret to say I believe there has been a pulling back from earlier indications of a willingness on the part of the MPLA to search for a negotiated settlement to the conflict. The MPLA now appears to have opted for a course of military victory with ensuing misery and suffering inflicted upon the hapless people of Angola.

-- In Zaire, although we continue to be concerned about sporadic reports of inhumane treatment of prisoners and political dissidents, the government has lifted its ban on prison visits by the ICRC, and created a new government ministry to investigate and recommend redress for cases of abuse at the hands of government authorities. We have conducted a continuing dialogue on human rights with the Government of Zaire, including with President Mobutu, and will continue to do so.

-- Finally, I don't believe we should let this discussion end without noting the sharp deterioration of the human rights situation inside South Africa, a situation which can give none of us any satisfaction and which has to call for a continuing effort to maximize our influence while doing the least possible damage to those whom we seek to assist.

In closing, I would like to summarize the case for our assistance program for Africa. Although there are links to U.S. strategic policy in other parts of the world, notably the Middle East and Southwest Asia, they do not form the principal rationale for a strong U.S. relationship with Africa. Africa's need for external assistance as its nations grow toward becoming mature democratic partners in the free society of nations is self-evident. The U.S. national interest in furthering and strengthening our relationship with Africa is equally self-evident. I want to work with you in trying to maximize what the U.S. can offer, both by way of influencing the development of Africa as well as through what we can offer Africans as they work toward democratic advance. I would stress that this budget request is not a hastily conceived "wish list", but, rather, reflects a number of painful choices we have had to make as part of our contribution to the Congressionally-mandated deficit reduction. The U.S. effort to assist in the development of democratic societies in Africa which can join proudly in partnership with the rest of the democratic community of nations is obviously in our own national interest, from an economic standpoint, from a political standpoint and from a U.S. national security standpoint. The investment on our part is small; the reward -- not just for Africa, but also for the U.S. -- is great.

Thank you very much.

PREPARED STATEMENT OF JAMES E. UPCHURCH

INTRODUCTION

Mr. Chairman, I appreciate the opportunity to testify before this Subcommittee about proposed economic assistance programs for Africa. I will briefly summarize our testimony and submit the entire statement for the record. Accompanying me today is Ted Weihe, Executive Director of the U.S. Overseas Cooperative Development Committee (OCDC).

First, I would like to provide some background on the OCDC. Formed in 1961, the OCDC consists of senior representatives from the 20 U.S. cooperative organizations listed below and the World Council of Credit Unions. More than 60 million Americans are owner-members of these cooperative organizations:

- Agricultural Cooperative Development International (ACDI), Washington, D.C.
- American Institute of Cooperation (AIC), Washington, D.C.
- Association of Texas Electric Cooperatives, Austin, TX
- Blue Ridge Electric Membership Corporation, Lenoir, NC
- CENEX, Minneapolis, MN
- Cooperative Housing Foundation (CHF), Washington, D.C.
- Farm Credit Services of St. Paul, MN
- Land O'Lakes, Minneapolis, MN
- League Insurance Companies, Detroit, MI
- Minnesota Association of Cooperatives, St. Paul, MN

- National Cooperative Business Association (NCBA), Washington, D.C.
- National Council of Farmer Cooperatives, Washington, D.C.
- National Farmers Union, Denver, CO
- National Rural Electric Cooperative Association (NRECA), Washington, D.C.
- Nationwide Mutual Insurance Companies, Columbus, OH
- Volunteers in Overseas Cooperative Assistance (VOCA), Washington, D.C.
- Washington State Council of Farmer Cooperatives, Olympia, WA

GOAL OF OCDC

The Overseas Cooperative Development Committee provides a focal point for private sector U.S. cooperative organizations in their international work. Its goal is to help establish or strengthen cooperative organizations in developing countries by adapting some of the self-help techniques that have been so successful here in the United States.

INTERNATIONAL WORK OF U.S. COOPERATIVES

U.S. cooperative organizations have a long history of working in developing countries. The first efforts in the late 1950s and early 1960s focused on Latin America and the Caribbean and later were expanded to Asia and Africa. Although cooperatives can take different forms, they are normally established as private sector, not-for-profit business enterprises which are operated for the benefit of their members. They are democratically controlled through the principle of "one member, one vote."

In developing countries, they can offer poor people a way to help themselves with a minimum of outside assistance. The cooperative concept is readily accepted and understood throughout the developing world. Cooperatives can be used to increase productivity in both rural and urban areas. They can help small farmers pool their resources to purchase fertilizer, seed and farm implements; transport goods; and expand their markets. They can help urban people with self-help home improvement or help members with credit for small business enterprises. Experience has shown that low-income people will save and contribute their limited resources to a cooperative enterprise which they view as an opportunity to advance economically.

Funding for much of this international work is provided by the U.S. Agency for International Development (AID), local governments, and U.S. and indigenous cooperatives in developing countries. The World Bank, regional development banks, the United Nations Development Program (UNDP), the United Nations Capital Development Fund (UNCDF), and the Organization of American States (OAS) have also provided some financial support.

The cooperative members in developing countries provide substantial amounts of money and human resources for these activities. For example, the three million members of credit union cooperatives in Latin America have mobilized more than one billion dollars in assets through their savings. The member organizations of OCDC have extensive reports and other material available on the results of these programs and will provide copies upon request.

SUGGESTIONS CONCERNING BILLS TO CREATE AN AFRICAN FUND

We want to underscore the support of U.S. cooperatives for increased U.S. assistance to Africa and offer suggestions for improving proposed legislation which refocuses U.S. development programs in Africa.

There is evidence that we are entering an era of opportunity for Africa. At a time when many African countries are reconsidering their failed policies and moving toward approaches suggested by Western development agencies, the U.S. must be prepared to respond with an adequate level of development resources.

We are extremely concerned about the African food crisis. U. S. cooperative development organizations active in African agricultural development include Agricultural Cooperative Development International (ACDI), the National Cooperative Business Association (NCBA), Volunteers in Overseas Cooperative Assistance (VOCA), and the World Council of Credit Unions (WOCCU). These organizations are working on "grassroots" solutions to help improve food production, distribution, and marketing.

1. BROADEN THE AGRICULTURAL CRITICAL SECTOR

Despite our support for an emphasis on "grassroots" agricultural production, we feel there is a weakness in the development strategies of the Simon and the Administration bills because they do not allow adequate flexibility for including larger scale programs. Limited initiatives on larger scale programs are needed to overcome key developmental gaps. There is broad agreement that it was an incorrect policy for some African countries to invest their limited resources in capital-intensive investments like steel plants when there were no steel markets or raw materials. But it may be equally unproductive to go to the other extreme and eliminate any U.S. role in appropriate larger scale investments or infrastructure.[1]

A sound development strategy must address the long-term African need for communications, electricity, irrigation, major roads, housing and other community services. A recent book, Accelerating Food Production in Sub-Sahara Africa by John Mellor and others from the International Food Policy Research Institute, concludes that the prescription for increased agricultural production and improved distribution in Africa is to:

> "develop better fertilizer distribution and more roads and rural utilities; expand agricultural research institutions; improve education in the agricultural sector; focus research attention on the four key crops of Africa--maize, rice, sorghum and cassava ...."

The issue for U.S. policymakers is how best to utilize relatively small amounts of assistance to address these needs. The Administration's bill focuses principally on policy dialogue. The Simon bill concentrates development activities on small-scale, grassroots aspects of development. Neither takes a balanced approach.

---

[1] We reluctantly use the term "infrastructure" because it conveys an image of large, capital-intensive projects. In fact, the term applies to a range of development projects, such as large dams vs. small-scale self-help irrigation systems.

We believe that selective U.S. development assistance funding for institution-building, feasibility studies, project analyses, and training of key personnel can help to ensure that large investments from governments, multilateral banks, and other international organizations are effectively undertaken and implemented in a sustainable and efficient manner.

For example, rural electrification was critical to rural economic development in the U.S. and other developed countries. The U.S. Government has played a key role in bringing rural electrification to dozens of developing countries, most notably on a country-wide basis in the Philippines and Bangladesh. In neither case was the U.S. the major financial contributor to these programs. Rather, we helped design the overall strategies, built institutions similar to the Rural Electrification Administration (REA) in the U.S., trained key people involved in the program, helped organize rural distribution cooperatives and provided some "pump priming" financial support to begin system construction. In these projects we brought to bear our best expertise based on a highly successful U.S. model.

There is also a need to increase access by rural people to large investments in already constructed productive infrastructures which now stand idle and under-utilized. For example, large dams such as the Inga Dam in Zaire, Andekaleka in Madagascar and Mananpali in the Sahel were built at great cost and have incurred large debts to these African countries. In each case there is urgent need to extend electricity to rural areas for irrigation and rural industry. We believe that decentralized and rural-based organizations such as cooperatives can assist in distributing electricity for these purposes. U.S. expertise can provide the institutional, technical and managerial assistance to build these rural systems.

There is no single method for rural electricity in Africa. In some cases, small-scale hydro dams dispersed throughout the country may be the right strategy. But, in other countries, rural distribution lines from a central grid might be more appropriate. Under the proposed legislation, the U.S. could be foreclosed from assisting with the larger strategy.

We suggest the following language for inclusion in the FINDINGS section of the Simon bill.

Add a new provision to Section 471. FINDINGS. (INSERT AS NEW (3))

> "The long-term development and economic growth assistance shall help create productive, democratic, and self-reliant African societies which will require establishing a sustainable base of economic and social services. Continuing and new efforts must be undertaken to establish new services such as all-season roads, irrigation systems, communications, indigenous energy development and distribution, shelter, water supply, health, and education. These services are essential to fill the gap in development which is necessary for broad economic progress in Africa."

We also suggest modifying Section 472(h) and adding the following language: (changes underlined)

> (1)(A) After "production-related infrastructure" include: such as farm-to-market and all-season roads, communication, irrigation systems, rural energy supplies, rural electrification and other services.

2. BROADEN AND INTEGRATE THE CRITICAL SECTORS

We believe that it is important to be flexible in defining sectors that should receive U.S. aid because there are critical interrelationships between sectorial problems. For example, shelter, a basic human need, is not mentioned in the proposed legislation, yet, housing[2] is often the key to improving health, education, and employment generation.

---

[2] "Housing" is another word that is misunderstood within the context of African development. Instead of subsidized capital intensive projects, today's African housing experts promote affordable home improvement and self-help construction.

- The health-shelter linkage is well documented. In Africa, 80% of the infectious diseases are spread by water and most housing programs include the provision of clean water.
- Education may be possible without shelter; some children living in overcrowded packing crates may be successful students. But most children will profit more from investments in education if they live in decent, safe and sanitary conditions.
- The shelter sector also creates jobs faster than any other sector, even if they are self-help upgrading projects.

We suggest modifying Section 472(h) CRITICAL SECTORAL PRIORITIES as follows: (all changes underlined)

> Assistance under this section shall be provided and integrated where appropriate and feasible with respect to the following critical sectoral priorities for long-term development as described in subsection (b).

3. INCLUDE URBAN PROGRAMS AND SHELTER IN THE CRITICAL SECTORS

Even if improvements in rural development and population control are achieved in Africa, the process of urbanization will continue. The UN reports that 21 of 48 sub-Saharan countries have 30% or more of their population living in urban areas today. By the year 2000, 36 of 48 countries will have more than 30% of their population living in urban areas. Some countries that were mostly rural, like Zambia, will have a majority of urban residents. More than 200 million Africans will live in urban areas by the year 2000. Their plight cannot be ignored.

We should not assume that these urban residents will return to under-utilized rural areas. One reason is that Africa's rural population will increase by more than 100 million by the year 2000, despite the rapid rural-to-urban migration.

We agree that rural development is critical and should be the focus of AID's efforts. But Africans living in cities and small towns will also have employment, health, housing, and education problems. No serious, comprehensive African development program in those sectors can be effective without addressing those problems in both urban and rural areas.

We suggest modifying Section 472(h)(5) as follows: (all changes underlined)

> (5) Shelter and income-generating opportunities.-- Developing shelter, small scale community upgrading and income-generating opportunities for the unemployed and underemployed in urban and rural areas. Off-farm employment opportunities in micro- and small-scale labor-intensive enterprises shall be emphasized (especially those which relate to processing increased agricultural production and adding to the value of that production and to production of consumer goods in rural areas and those relating to small-scale building material production for cooperative self-help housing programs in urban areas.)

4. MODIFY THE FOCUS ON POLICY CHANGE

It is said that most of Africa's errors are homemade, but so are the often forgotten things that have been done right:

- Zimbabwe's farmers increased farm production 30% in 1985 despite a three year drought. This was done by pragmatically encouraging both large and small producers.
- Cameroon has maintained a 5% to 6% real growth rate and is self-sufficient in food.
- Tanzania increased adult literacy nearly 40% by carrying out a 5 year literacy campaign in the early 1970s.
- Botswana is one of a small number of developing countries without growing squatter slum developments because of a major commitment to an affordable self-help housing approach to housing.

International development assistance has been most effective in Africa when tough advice has been followed by countries as in the case of Malawi in the 1970s. Malawi achieved a 6.5% average real growth rate during its first dozen years of independence. The private sector has been viewed as the engine of growth and foreign investment has been encouraged.

We agree that policy change is important but, in some cases, AID's "policy dialogue" approach depends on withholding assistance pending policy reform. We believe it suffers from two weaknesses: (1) it is sometimes negative, and (2) a "carrot and stick" approach must be able to deliver rewards. AID's limited funding for some countries represents a small "carrot."

There is a role for policy dialogue on the macro level as provided for in the proposed legislation. In our opinion, the Administration bill places too much stress on broad policy changes and the Simon bill sees policy changes only as short-term solutions. In our opinion, neither approach is balanced. Policy dialogue is only one component of a successful development strategy, and it must be a long-term and sustained effort by the development agencies.

The U.S. member-controlled cooperative community understands that lasting reforms cannot be forced on people whether they are small farmers or heads of states. They must be convinced that change is in their best interest. Our members know that one proven method of bringing about change is to invest in producing good model projects and then using them to bring about policy change. The important element here is to show Africans that a concept will work in their country or region. Given the opportunity, our cooperatives can play a constructive role in this positive approach to policy change.

Lasting policy change takes a long time. It is seldom done with quick fixes. In the end, the best approach may be to attack the problem at several levels, including major training programs for key African decision-makers.

By identifying key middle- to upper-level people and providing them with extensive training, the U.S. private-sector approaches to development will have advocates within public and private sectors of African countries. These people are more likely to be receptive to future policy changes suggested by AID, especially where we are encouraging democratic approaches and changes from state-controlled activities to more open-market, private-sector economic systems.

In recent years, AID has expressed renewed interest in training programs. However, we have not seen an integration of training and model project development with policy dialogue. An integrated program would help efforts to move African economies toward the more successful market-driven private-sector approaches. U.S. cooperatives, for example, are aware that Africa's cooperative movement is sometimes weakened by top-down government control which is advocated by socialist countries. In contrast, our cooperatives seek to promote the U.S. democratic, private-sector approach to cooperatives. But we have been unable to compete with the superior training resources of the socialist countries in Africa. We urge that the legislation specifically include the need to expand African training efforts, especially in technical, non-formal educational programs which stress private-sector, democratic and cooperative approaches.

We propose modifying Section 472(g) and inserting a new section (C):

> (C) to undertake training programs especially in technical, non-formal education and development projects with strategies to enhance more private-sector economies including the promotion of private-sector, democratic cooperatives.

Attached to our testimony are examples of how our member cooperatives have introduced more efficient private-sector programs and training in the rural agriculture, credit and housing sectors in Africa.

Thank you.

Examples of Private Sector Cooperative Programs in Africa

1. National Cooperative Business Association (NCBA)

In Rwanda, the Local Crop Storage Project will construct 39 90-ton grain storage units for small multi-purpose cooperatives by the end of 1987. The addition of storage units allows cooperatives to reduce post-harvest grain losses as well as offer their rural members marketing alternatives and price stabilization.

Besides construction activities, the Project offers operating loans to the member cooperatives. Over $130,000 has already been distributed to assist with grain purchasing.

Recognizing the need for substantial training of cooperative leaders and managers, cooperative organizers and donors in 1981 began developing the Cooperative Training and Research Center primarily through grants from AID and the government of Switzerland, with land and other inputs provided by the government of Rwanda. The Center, established as a private, non-profit organization, has been in full operation since 1984 and has held more than 15,000 days of participant training. Training courses are offered to cooperative managers and board members on financial management, cooperative organization and cooperative law.

NCBA also has other projects underway: providing technical assistance to cocoa, coffee, and food production cooperatives in Equatorial Guinea; revitalizing the cooperative movement through the Cooperative Training and Inputs Supply Project in Niger; and establishing a cooperative marketing project in Somalia.

2. Agricultural Cooperative Development International (ACDI)

Since 1963, ACDI has provided technical assistance for various sectors of the Ugandan cooperative movement, including management, credit, education and livestock production.

The objective of ACDI's program is human development, with ACDI's technicians working primarily in an advisory capacity. ACDI's involvement with the Ugandan cooperative movement has been marked by on-the-job, in-depth, person-to-person relationships stressing cooperative training and the development of project participants to their fullest capabilities.

A strong cooperative movement was established during the first ten years of ACDI's assistance from 1963-1973. This movement proved capable of surviving the destruction of the Idi Amin regime and subsequent revolutions and wars of retribution.

In 1981, following Amin's deposition, ACDI again provided technical and training assistance to the small farm sector, which produces the bulk of Uganda's food and foreign exchange. The Food Production Support Project focused on distributing needed agricultural inputs and providing in-country and overseas training in planning, management, accounting and other specialized areas.

ACDI's current efforts are centered on establishing an institution capable of providing Uganda's small farmers with production credit through the cooperative system. The Uganda Agricultural Finance Agency (UAFA) is being created jointly by the Bank of Uganda and the cooperative sector and is expected to begin providing credit services by the end of this year. This collaboration will make the agency sensitive to the credit needs of small farmers while providing a viable financial link to Uganda's commercial banks and financial markets.

3. Cooperative Housing Foundation (CHF)

A CHF project in the mountain Kingdom of Lesotho illustrates growing self-reliance in local shelter efforts.

The Basotho, as the inhabitants of Lesotho call themselves, have maintained a tradition of entrepreneurial ability. Supported by international donor agencies, they have developed a successful enterprise for the production of building materials.

In the past, the Basotho built their own homes of mud and stone with thatch roofs, which had been gradually replaced through the use of modern South African building materials. In recent years, however, self-reliance in housing has been regaining its original place in Lesotho, both in regard to local building materials and labor.

Lesotho's increasing self-reliance in the production of building materials and housing demonstrates the success of foreign financial and technical assistance in the development of a local organization to carry out the new housing programs.

The project survived many crises and shows that there is a strong need for businesses which manufacture needed materials and create jobs. That the operation has succeeded is something of which the Basotho can be proud. After technical assistance terminated, both commitment and hard work continued to be required to guarantee its permanent success.

In Lesotho, U.S. assistance funds have been effectively utilized to bring to life the concept of the small- and medium-sized enterprise which contributes to the development process and ultimately to the benefit of people in need of its economically-priced products.

4. World Council of Credit Unions (WOCCU)

Credit unions are private-sector, democratically-controlled cooperatives which mobilize savings and provide credit to members for provident and productive purposes. They are often the only financial institution available to low- and moderate-income people. For example, in Lesotho, credit unions are one of only two national institutions which reach 80% of the rural population. Seventy-five percent of the cooperative members are women -- the mainstay of Lesotho's agricultural economy.

Banking institutions are unknown in rural areas and the credit unions are overcoming the vexing reality of substantial non-payment on agricultural credit loans. Because the tribal society is closely knit and treats one another as relatives, it is hard for a creditor to collect loans, especially when there has been a poor harvest.

This AID-assisted project directly reaches low-income people through non-governmental channels. It is supported by a worldwide credit union system. Technical help is provided by the African Cooperative Savings and Credit Association, an African-wide confederation, and the World Council of Credit Unions.

Credit unions provide an alternative funding approach to the usual top-down government lending. Self-reliance, through savings and the collection of outstanding loans, is more evident because members own their financial institution rather than receive credit from an impersonal government bank.

5. Volunteers in Overseas Cooperative Development (VOCA)

Through the help of a highly qualified cooperative volunteer, the government of Zimbabwe and AID recently provided a grant of $240,000 to the private Farmers Co-op, composed of 4,000 "European" farmers, for the provision of technical assistance to 850,000 black farmers through their 568 farm supply and marketing cooperatives. The project is a breakthrough in black-white relationships in a fragile political environment where most agricultural production continues to be controlled by large European farms. Meanwhile, Zimbabweans, many of whom are ex-combatants, are trying to gain the rewards of their revolution through cooperatively-based economic development.

The project came about as a result of a study by Roy Wiebe. Under the auspices of VOCA, Mr. Wiebe, a former president of Western State Farmers Association in Seattle, undertook an analysis of the warehouse system for agricultural supplies and inputs of the small farmer cooperatives. AID had assisted in the construction of the warehouses, but they were not operating properly due to a lack of technical assistance and training. Working quietly with the successful European cooperatives, Wiebe guided the proposal for collaboration of the two cooperative federations through the political thickets. His prestige and experience as a US-cooperative CEO made the project possible. The project demonstrates the catalytic role that volunteers can play in bringing about significant government-sponsored programs, in this case, through the use of a private cooperative organization rather than a government ministry.

LETTER FROM JOHN J. NICHOLAIDES III

February 27, 1987

The Honorable Senator Paul Simon
462 Dirksen Building
Washington, D. C. 20510

Dear Senator Simon:

Enclosed please find draft language regarding an African Agricultural University Development Fund. The text is for your consideration as you develop the African Famine Recovery and Development Act with Congressman Wolpe.

The purpose of the African Agricultural University Development Fund is to establish within the Foreign Assistance Program a clearly identified financial mechanism to support the growth and development of African agricultural colleges and universities through long-term joint programs of cooperation and exchange in science, technology transfer, and education with U.S. institutions of higher education and research. The Fund will be programmed and managed centrally by the Africa Bureau of the U.S. Agency for International Development in consultation with the Board for International Food and Agricultural Development. Implementation of activities financed by the Fund will be through normal U.S. Agency for International Development grant procedures where unsolicited grant proposals will originate from U.S. institutions in collaboration with the African agricultural universities or colleges. The U.S. Agency for International Development may also solicit grant proposals from U.S. universities and colleges competitively to assist selected African agricultural universities in support of foreign assistance program objectives. Priority allocations of the African Agricultural University Development Fund resources will be to those program proposals where the cooperating institutions are making significant investments of their own limited resources.

This Fund proposal represents a significant shift in the manner in which U.S. universities and colleges will participate in the institution building and strengthening process in Africa. First, rather than being limited to providing advisory services on a contractual basis in response to projects and programs designed by other entities, the universities will have the responsibility to assess their own capabilities and interests and initiate a collaborative long-term relationship with an African university or college. Second, rather than the African agricultural university or college acquiescing to externally designed programs, they will participate fully in the design and contribute a significant level of resources to the program.

Given the innovative nature of the African Agricultural University Development Fund, the level of resources allocated to it will reflect the response of the U.S. institutions of higher education and research. If the response is slow, the funding allocations by the U.S. Agency for International Development to the fund will be minimal and serve as evidence that inter-institutional relationships in agricultural higher education and research have limited applicability to our foreign assistance programming at this time. In other words, the level of funding will be demand driven. Finally, to assess the potential of this approach, the U.S. Agency for International Development and the Board for International Food and Agricultural Development will evaluate the African Agricultural University Development Fund after the third year and report to Congress. This report will assist the Congress to determine more accurately the nature and level of U.S. support to institution building in agricultural science, technology transfer, and education in Africa.

Thank you for your consideration of this proposal. If you have further questions that are appropriate at this time, I would be happy to respond at your convenience.

Sincerely,

John J. Nicholaides, III

John J. Nicholaides, III
Director and Associate Dean

A Legislative Proposal:

The African Agricultural University Development Fund

to be introduced into

A Bill

To amend the Foreign Assistance Act of 1961 to establish a separate authorization for assistance for famine recovery and long-term development in sub-Saharan Africa, and for other purposes.

SEC.2. AFRICA FAMINE RECOVERY AND DEVELOPMENT.

CHAPTER 7 -- AFRICA FAMINE RECOVERY AND DEVELOPMENT.

SEC.472. LONG-TERM DEVELOPMENT ASSISTANCE.

insert new (i)

(i) AFRICAN AGRICULTURAL UNIVERSITY DEVELOPMENT FUND. -- Given the critical role to African growth and development of sustained and mutually beneficial cooperation and exchange between African and U.S. agricultural institutions of higher education and scientific research, up to 10 percent of the amount appropriated each fiscal year pursuant to Section 473 may be allocated to a new African Agricultural University Development Fund. This Fund will provide grants to U.S. universities and colleges to support collaborative programs aimed at strengthening African agricultural universities and colleges through scientific cooperation and exchange. Specifically, the grants will support programs of joint research, student exchanges, sabbatics, academic and nonacademic training, as well as limited advisory and commodity procurement services. The Fund will be programmed and managed by the agency primarily responsible for administering this part in consultation with the Board for International Food and Agricultural Development. Collaborative program grants supported by this Fund may result from unsolicited joint-proposals initiated by U.S. and African institutions or may result from solicited competitive proposals initiated by the agency primarily responsible for administering the Fund. Recognizing the importance of a long-term sustained commitment of financial support to institutional strengthening programs, grant requests will be accepted up to a period of five years and if approved must be fully funded. Given demand for grants will likely exceed available resources in the Fund, priority allocations will be to those proposals where the participating universities are making the largest matching contributions. The agency primarily responsible for administering this part in consultation with the Board for International Food and Agricultural Development will report on the Fund to the Congress after the third year of operations and include recommendations on the level of support after the current authorization expires.

PREPARED STATEMENT OF DR. RONALD WALTERS

I am employed as Professor (full) of Political Science at Howard University, having received a B.A. from Fisk University and my advanced training in International Relations (M.A. and Ph.D.) at American University. I have specialized in research and teaching in problems of Southern Africa for 17 years, and was formerly Chairman of the Board of Directors of TransAfrica Forum. I also served as a consultant to the United Nations Special Committee

Against Apartheid of the Security Council on the subject of South African nuclear power capability, and I have lectured and published widely on problems of Southern African regional security. My latest works are: South Africa and the Bomb: Responsibility and Deterrence, Lexington Books, 1986; and "Beyond Sanctions: A Comprehensive U.S. Policy for Southern Africa", World Policy Journal, Vol. IV, no. 1, Winter 1986-87.

SADCC

Mr. Chairman, and members of the Committee, it is possible to conclude, in this post-Sanctions environment, that although the intent of the legislation against Apartheid in South Africa has had some effect it could stand considerable perfection. South Africa has been able to mitigate some of the direct effects of sanctions through its inordinate control over the economic infrastructure of the region. Thus, in the words Rev. Jesse Jackson, coined on our August 1986 tour of the Southern African region, the "heart of Apartheid may be in Pretoria, but its tentacles are in the states in the region." Therefore, to the extent that these states in Southern Africa are economically strong, this in itself becomes an indirect "sanction" which, together with the legislation, helps to create the kind of pressures upon the South African minority Government which could help to hasten a reconsideration of its present course.

The pattern of relations between the states in Southern Africa and South Africa itself is marked by considerable dependency as the following data will show.

Table 1 Direction of SADCC Trade 1982

SADCC Trade	Exports		Imports	
	($million)	(%)	($Million)	(%)
Intra-SADCC	260	4.7	319	4.3
South Africa	383	6.9	2,186	29.7
Rest of World	4,876	87.8	4,836	65.7
Totals	5,519	99.4	7,342	99.7

Source: Cited as Table 2 in Anthony Hawkins,"Trade and Development in Southern Africa," Conference on the Political Economy of Food in Southern Africa, Overseas Development Couincil, Washington, DC, September 1986.

TAble 2 SADCC Trade Through South Africa
(Current Exports and Imports by Value)

Country	Percent
Lesotho	100
Malawi	95
Zimbabwe	85
Swaziland	70
Botswana	62
Zambia	55

Source: "The Impact of Econoic Sanctions Against South Africa on the SADCC States," Canadian International Development Agency, Ottawa, Canada, 1986, p. 20.

Given that the countries most heavily dependent upon trade with South Africa are the countries of Botswana, Lesotho and Swaziland, the primary aspect of the dependency appears to be the reliance of these states upon South Africa for transport routes and facilities. That is why the SADCC states have adopted transport and communications as their priority sectors of development. In addition the missing totals in TAble 1 (0.6% of Exports and 0.3% of Imports) may be accounted for by the Preferential Trade Area (PTA) which includes 15 states, including the 9 states of SADCC. The PTA for a number of reasons has made no measurable economic impact upon generating intra-regional trade.

These aspects of dependency have been buttressed by other mechanisms such as the South African Customs Union (SACU), the membership of which affects Botswana, Lesotho and Swaziland and South Africa. The SACU is a free-trade area characterized by a common external tariff and by a high protective tariff on items produced within South Africa itself. South Africa benefits from this arrangement to the extent of deriving 97.4% of tariff revenue, while for some countries such as Lesotho it amounts to 70% of total govenment revenues.

The creation of SADCC on April 1, 1980 by nine countries (Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, Zimbabwe) in the region was not only a response to the influence of South Africa in the economic and political affairs of the regional states, more important, it was a response to the imperatives of economic development which have faced all African states regardless of their political situation. Nevertheless, it should be noted that these twin factors create avenues for the possible satisfaction of American foreign policy objectives both with respect to South Africa and the regional states as well.

These states are vulnerable to South African influence since 70% of their exports must travel through its ports, while at the same time only 15%-17% of South African exports travel through the region, largely through the port of the Maputo in Mozambique. The objectives of SADCC are:

---The reducation of econoic dependence, particularly on the Republic of South Africa;

---The forging of links between member states in order to create genuine and equitable regional integration;

---the mobilization of resources to promote the implementation of national, interstate and regional policies;

---Concerted action to secure international cooperation within the framework of SADCC's strategy of economic liberation.

As we will see below, South Africa has, since the mid-1970s implemented a crushing "destabilization" campaign to keep these countries dependent upon its exporting facilities, its mining employment capacity, its supply of products, and its investment base. The consequent disruption has prevented these states from breaking away from the regional influence of Apartheid and embarking upon genuine economic growth beneficial to their peoples. But despite these formidable odds, they have had some considerable success.

In the transport and communications sector, for example, the 1987 consultative conference report indicates that of the 158 projects within the Program of Action of the Southern African Transport and Communications Commission (SATCC), the total cost is estimated at $3.071 million, of which 37% has been secured. Financing has been fully secured for 32 main projects, and 32 sub-projects within the Beira and Dar es Salaam Ports Systems have been fully financed. The rehabilitation of these port facilities is crucial to the trade independence of SADCC countries and thus, public attention has been attracted to the completion of Mozambique ports which might provide adequate routes to the sea for landlocked countries in the region. The 10-year Beira Corridor project in particular, which has been almost completely funded, with a total cost of $613.9 million (nearly 90% from foreign sources), is a 200 mile stretch of road, railway and pipeline from its western to its eastern border. It allows the possibility of an alternate route for the countries of Malawi, Zambia Zinbabwe and Botswana, but has come under attack by the rebel group RENAMO which has received South African support. In response, the Government of Zimbabwe has stationed 12,000 troops to protect this corridor, since Prime Mnister Robert Mugabe has repeatedly said that it is absolutely vital to the economic security of his country. The security problem posed by RENAMO and Sout Africa to Beira has made Zimbabwe and Mozambique military allies, but it is only one example of an endemic factor of conflict in the region which thretens the viability of the entire SADCC experiment.

Destabilization

The South African Government has initiated a reign of terror in the region which has consisted of direct attacks by the South African Defense Force upon the capitals of Angola, Lesotho, Botswana, and Mozambiqe; invaded Angola, Swaziland, Zimbabwe and Zambia; attempted to assasinate the Prime Ministers of Lesotho and Zimbabwe and perhaps succeeded in Mozambique; sponsored proxy guerilla forces such as UNITA in southern Angola and RENAMO in Mozambique which have fomented disrupting civil wars, and launched economic reprisals, harrassing actions and threats against all of the states in the region. Without further description of these well-known events, a recent Report by UNICEF entittled, "Children On The Front Line," illustrates in grim detail the cumulative effect of these actions have taken on the lives of the peoples within these nine states, and especially the children. The wars in Angola and Mozambique, for example, have destroyed health and education facilities, prevented people from growing food or from otherwise obtaining health services, food, water, and adequate shelter. Our delegation personally witnessed people in southern Angola digging for water with crude sticks, who were so fatigued from hunger that it was an almost became an impossible task. The Report indicates the result:

---in Angola and Mozambique in 1985, more than 137,000 deaths of children under-five occurred from the war, and the estimates for 1986 are 140,000;

---in Mozambique, 484 health centers (42% of the total) have been destroyed since 1982, and more than 300,000 children have lost their schools;

The war has also attacked their parents, since it has caused a drastic drop in household incomes due to the loss of males and the struggle of females to provide for children. Parents and children are also maimed at an increasing rate by the use of land-mines in Angola by UNITA, causing perhaps 5% of the population to have lost limbs, and straining the existing medical facilities. South Africa has also waged economic war on these countries by cutting the 300,000 "officially registered" migrant labor force (perhaps double this figure counting unregistered workers) in the mines, thus, cutting the remittances to families and to the national budgets of these countries.

The total cost of the destabilization, including the war damage, upon the economies of the states for the period 1980-1986 has been estimated by the Report to be $25-30 billion. It points out that this is probably a conservative figure since physical damage in Angola alone is estimated by its Government and the United Nations to be $17 bilion in the 10 year period of 1975-1985, and Mozambique estimates its losses at over $5.5 billion in the five year period of 1980-1985. Nevertheless, directly or indirectly, most states have suffered either through direct damage or from the budgetary effect of the estimated 600,000 displaced persons. These effect, together with those of natural disasters such as drought have produced famine which has contributed to the rising mortality rates in these countries for both children and adults.

U. S. Policy

In Testimony before the House Foreign Affairs Committee on March 4 of this year, Assistant Secreatry Chester Crocker outlined briefly the new Southern Africa Initiative. It is a welcome sign that the Administration understands the need for political stability in the region, even though one might wish that the basis of concern might be somewhat broader than the narrow factors of the possibility of a deepening penetration of the region by the Soviet Union or the increasing turmoil caused by South Africa. However, even upon this basis, he suggested that "Adequate funding for the Southern Africa Initiative is essential to the pursuit of these objectives." Since I will give the Secretary the benefit of the doubt that he means what he says, let me point out a few problematic areas:

First, political relations between the U.S. and such countries as Angola, Zimbabwe, and to some extent Zambia and Mozambique have run counter to creating the necessary environment within which a new initiative might conceivably be most productive.

A. The U.S. has no diplomatic relations with the Government of Angola and since January of 1986 has financed a military insurgency that also contributes to the destabilization of the country.

B. The Administration cut off economic assistance to Zimbabwe in 1986 with $17 million in the pipeline.

C. Requests for military assistance from the Government of Zambia have routinely been rejected.

D. While relations with Mozambique have been improving economic assistance levels have fallen from FY 86 - $30 million; FY 87 - $18 million; FY 88 - $11 million (requested).

In this context, the FY 87 and 88 amount of $93 million, not only falls far short of expectations as suggested by David Ottaway of The Washington Post (February 5, 987), but is woefully inadequate in view of the human and infrastructural development crisis created by South Africa, the U.S. and the natural legacy of their former colonial status. What changes in logic or rationale will persuade the Office of Management and Budget to allow FY 89 authorization levels to rise by $90 million over those of the previous year to rach $141 million? Also, why is it that Policy Reform, in view of the urgency of other economic needs, consumes roughly one-third of the proposed authorization?

As noted in the Secretary's remarks, while the total U.S. share as a percent of all assistance to the region declined from 14% in 1984 to 10% in 1986, full funding of the five-year initiative would only retore U.S. levels to the 14% range. The much higher assistance standards recently announced by some European donors, in this regard, provide a laudable goal for U.S. policy to achieve. I understand that a substantial share of the funds in the supplemental request for the remaining FY 1987 and 1988 periods of $93 million will be devoted to the rehabilitation of the northern route through Zambia or te Tazara road and railway facility. This 10 year project has been estimated by SADCC to cost nearly $200 million ($196.4).

One questionable aspect of the U.S. proosals is the inclusion of Zaire within the context of the SADCC initiative. The Zaire problem points to the difficulty this country has had in securing routes for the transport of mining products from Shaba province since the Benguela railway which teminates at the port of Lobito in Angola has been rendered inoperable since 1975. UNITA guerillas have disrupted this railway, but both Zaire and UNITA have received considerable political and economic support from the U.S. government. Here again, past American foreign policy appears to be at odds with SADCC objectives and with the objectives of its own new Southern Africa Initiative.

Secondly, why should the U.S. bear the brunt of a heavily ideological battle with those parties presumed to be Soviet-sponsored in Southern Africa while its allies adopt more pragmatic policies toward SADCC states? There is also contained in Secretary Crocker's remarks the continued residue of the discrdited "constructive engagement" policy: "For these reasons as well as our interest in retaining Western access to southen African strategic mineral and metal supplies, we must remain actively engaged in promoting peaceful change and economic growth in South and southern Africa." This point of view apparenly supports the fact that the Secretary of State, pursuant to Section 303 (a) (2) of the Comprehensive Anti-Apartheid Act of 1986, recently provided the Congress with a certification that 10 minerals were "essential for the economy or defense of the United States" and, thereore, were exempted from the import restrictions of the act. The continued basis of policy which perceives a necessity for U.S. dependence upon South Africa because of its mineral reserves is a two-edged sword: on one hand it is perceived as the basis of a positive policy, and on the other, it robs that policy of its needed flexibility. This point is obvious; Apartheid has drawn the opprobrium of most countries in the world, yet the basis of American policy will not allow it to react accordingly.

Greater U.S. economic support for SADCC will make possible the necessary flexibility in policy toward South Africa which the regional states themselves are seeking. Put another way, it does not make policy sense for the SADCC states to achieve significant levels of economic viability and American policy not benefit from the consequences. One way of benefitting is through cooperating with the SADCC states in the development of their mineral potential. Viewed in this manner, the South African minerals monopoly in Southern Africa and, thus, U.S. dependency could be only a short-term proposition. For example, the 10 minerals which were exempted from the export restrictions of the Anti-Apartheid Act of 1986 were: Andalusite, Antimony, Asbestos, Chrysotile, Chromium (and ferrochromium), Cobalt, Diamonds (industrial), Manganese (also ferromanganese), Platinum Group Metals, Rutile (with titanium), and Vanadium (with ferrovanadium). Elsewhere I have suggested:

> It is conceivable...that these minerals could be obtained from other countries if the West were to extend the same financial and technical assistance to them that it has given South Africa. Angola is very rich in resources, exporting petroleum, diamonds, and iron; it also has copper, uranium and manganese. Zambia has cobalt, uranium and gold, and exports copper. Zimbabwe mines 40 minerals, including gold, nickel, coal, lithium, copper, chrome, (and ferrochromium). Botswana exports diamonds, and possesses undeveloped reserves of iron, manganese, chromite, and uranium. Mozambique is also rich in strategic minerals, although its exact potential remains largely unknown because of the lack of exploration... (Beyond Sanctions, p. 100)

In the long-term, then, it would appear that the U.S. is not as dependent upon South African minerals as indicated, the knowledge of which perhaps explains South African motives for its destabilization campaign as vividly as any other factor. It depends upon the extent to which the U.S. regards the states in the region as equal partners in the development process, in an enterprise which eventually could safeguard its national interests and the regional states also. The criteria that such resources should be available from suppliers that are "reliable and secure" places Southern African states at a competitive disadvantage, since added investment in the mineral sector in these states would contribute to the development of "reliable and secure" supplies of such materials. In any case, this is a highly subjective criteria which, in this case, is not outside of the ability of the U.S. to influence.

This raises the last point concerning investment. The point has been well made during the course of the recent discussions on African Economic Development in the United Nations and other multi-lateral forums that the private sector is the engine of economic growth. Although the policy reform movement conforms to the new tendency toward facilitating privatization of economic agencies within such countries, clearly there are limits to the scale of economic growth which might be achieved through this step alone. SADCC officials, in fact, have understood that substantial new net investment will be necessary and at the 1987 Consultative Conference they have established a priorty for "Investment for Production". Again a dual point is made in the SADCC background paper:

> Although SADCC was not created to confront South Africa, it offers an alternative focus for economic progress and development in southern Africa. Many investors have recognised the inherent instability of the South African situation and a process of disinvestment is already well underway. Those who wish to invest in the future and in economic development and progress should now, therefore, take this opportunity to become involved in the SADCC Program of Action. (Investment for Production, SADCC, Gaborone, Botswana, February 5-6, 1987, p. 7-8)

Clearly, one meaning of the invitation for states to become investors in SADCC states is for the potential of reaping profitable rewards, as with any other investment. However, the pressure of disinvestment creates the opportunity for many firms to disinvest in South Africa and to reinvest in the regional states, especially where there is the prospect for satisfying national needs for strategic minerals and other commodities. In addition, trade opportunities aso exist, since Southern Africa is perhaps more "Western" than any other region of Africa, given the historic incidents of heavy European settlement and development, and as such, there exist a ready market for many Western products which are now reaching SADCC states through South Africa rather than directly. The SADCC initiative in th area of investment and trade would appear to provide an additional opportunity for the achievement of a confluence of interests to be satisfied through private sector initiatives which redound to the satisfaction of the national interests. Such strategies help to expand the range of options and thus, the possibiities for flexibility in the pursuit of policy objectives and beneficial cooperative enterprises with countries in the region simultaneouly.

I support the Southern Africa initiative, but feel that it should be funded at the level of the Kennedy/Weicker legislative standard (S 475) of $700 million over a five-year period as the least viable strategy for beginning to make an adequate impact on infrastructural problems with American assistance in the region.

PREPARED STATEMENT OF SENATOR GORDON J. HUMPHREY

MR. CHAIRMAN, THANK YOU FOR THE OPPORTUNITY TO TESTIFY.

I WISH TO FOCUS MY REMARKS ON THE IMPORTANCE OF THE PRESIDENT'S ECONOMIC AND SECURITY ASSISTANCE REQUEST FOR PAKISTAN.

MR. CHAIRMAN, APPROVAL OF THE PRESIDENT'S REQUEST FOR PAKISTAN IS CRITICAL TO ENSURING THE SECURITY OF BOTH PAKISTAN AND SOUTHWEST ASIA. PAKISTAN TODAY IS DIRECTLY THREATENED BY THE SOVIET UNION. AFGHANISTAN ONCE PROVIDED A BUFFER BETWEEN PAKISTAN AND THE SOVIET EMPIRE. TODAY, 115,000 SOVIET TROOPS ARMED WITH THE MOST MODERN WEAPONRY ARE WAGING WAR IN AFGHANISTAN, MUCH OF IT VERY NEAR PAKISTAN'S 1200 MILE BORDER.

THERE IS NO PLACE IN THE WORLD TODAY WHERE SOVIET AGGRESSION IS MORE VIVID THAN SOUTHWEST ASIA. IN TESTIMONY BEFORE THE CONGRESSIONAL TASK FORCE ON AFGHANISTAN, FORMER U.S. AMBASSADOR JEANE KIRKPATRICK STATED: "THE SOVIET GOAL IN

AFGHANISTAN IS EFFECTIVE INCORPORATION OF AFGHANISTAN AND ACHIEVEMENT OF A WARM WATER PORT AND GEOPOLITICAL ACCESS TO IRAN AND PAKISTAN."

IN AFGHANISTAN, THE SOVIETS HAVE RESORTED TO MASSIVE SLAUGHTER OF CIVILIANS THROUGH AIR AND GROUND ATTACK UPON VILLAGES. THE DEATH TOLL IS NEAR ONE MILLION. THINK OF IT, MR. CHAIRMAN. IF YOU TRANSLATE THAT PROPORTION TO OUR OWN COUNTRY, IT MEANS 16 MILLION DEAD AMERICANS. FULLY ONE THIRD OF THE AFGHAN PEOPLE HAVE FLED INTO EXILE. THE AMERICAN EQUIVALENT IS EIGHTY MILLION. IMAGINE THAT. EXCEPT, FOR THE AFGHANS, IT IS A MATTER OF REALITY NOT IMAGINATION.

THROUGHOUT THIS HORROR, PAKISTAN HAS STOOD FIRMLY BEHIND THE PEOPLE OF AFGHANISTAN. INDEED, WERE IT NOT FOR PAKISTAN, BY NOW MOSCOW WOULD HAVE SUCCEEDED IN ITS BRUTAL EFFORT TO DRAG BLEEDING AFGHANISTAN INTO THE SOVIET EMPIRE.

FOR ITS COURAGE AND PRINCIPLE, PAKISTAN HAS COME UNDER DIRECT ATTACK BY MOSCOW'S PUPPET REGIME IN KABUL. THE SOVIETS HAVE INCREASINGLY SOUGHT TO INTIMIDATE PAKISTAN. AS FAR BACK AS 1980, THE SOVIET-PUPPET REGIME IN KABUL WAS RESPONSIBLE FOR 179 AIRSPACE VIOLATIONS. IN THE PAST TWO YEARS, THEY HAVE TRIPLED THEIR LEVEL OF VIOLENCE. LAST YEAR ALONE, THE SOVIET-PUPPET REGIME VIOLATED PAKISTANI AIRSPACE ON 757 SEPARATE OCCASIONS - 256 OF THESE VIOLATIONS INVOLVED OUTRIGHT ATTACKS IN WHICH 45 INNOCENT CIVILIANS WERE KILLED AND 77 WERE WOUNDED. IN 1987, IT'S MUCH WORSE. VERY RECENT ATTACKS ALONG THE BORDER, AIMED AT PAKISTANI VILLAGES AND AFGHAN REFUGEE CAMPS, KILLED AN ESTIMATED ONE HUNDRED PEOPLE.

THE SOVIETS AND THEIR KABUL PUPPETS HAVE ALSO SUPPORTED DEADLY ACTS OF TERRORISM WITHIN PAKISTAN. LAST YEAR THERE WERE 233 WANTON ACTS OF SABOTAGE RESULTING IN 162 DEATHS AND MORE THAN 500 WOUNDED.

DESPITE THE ESCALATED THREATS AND VIOLENCE, PAKISTAN HAS STOOD HER GROUND COURAGEOUSLY. STANDING FIRM AS A BULWARK AGAINST SOVIET IMPERIALISM IN AN EXTREMELY COMPLEX AND TROUBLED REGION OF THE WORLD, SHE HAS PROVIDED REFUGE TO MORE THAN FOUR MILLION AFGHAN REFUGEES--TODAY, THE WORLD'S LARGEST REFUGEE POPULATION.

APART FROM HER SUPPORT OF THE AFGHAN CAUSE, PAKISTAN IS IMPORTANT BECAUSE OF HER LOCATION AT THE HEAD OF THE ARABIAN SEA AND CLOSE BY THE PERSIAN GULF. THE SOVIETS KNOW WELL THE GEOPOLITICAL IMPORTANCE OF PAKISTAN, AND HAVE BEEN STIRRING UP TROUBLE IN BALUCHISTAN FOR YEARS.

PRESIDENT REAGAN HAS REQUESTED $4.02 BILLION IN ECONOMIC AND SECURITY ASSISTANCE THROUGH 1993. THE PROPOSED PACKAGE INCLUDES PROVISIONS WHICH ARE VITAL GIVEN PAKISTAN'S EXTRAORDINARY CHALLENGES.

THE ECONOMIC ASSISTANCE PACKAGE, TOTALING $380 MILLION PER YEAR UNDER THE PRESIDENT'S PROPOSAL, WILL GREATLY HELP PAKISTAN CONTINUE THE PROGRESS MADE OVER THE PAST SEVERAL YEARS IN ECONOMIC DEVELOPMENT AND GROWTH. THE ECONOMY HAS BEEN GROWING AT AN AVERAGE OF 7 PERCENT PER YEAR, WHILE INFLATION HAS REMAINED LOW.

THE SECURITY ASSISTANCE PROGRAM WILL PROVIDE $1.74 BILLION THROUGH FY93, OR $290 MILLION PER YEAR. DESPITE THE

PRESSURES NOW FACING PAKISTAN, THIS LEVEL OF ASSISTANCE IS ROUGHLY THE SAME WHICH PAKISTAN NOW RECEIVES.

THE PACKAGE WILL ALSO PROVIDE FOR THE ACQUISITION OF OTHER ESSENTIAL AIR DEFENSE SYSTEMS SUCH AS FIGHTER AIRCRAFT AND RADAR SYSTEMS.

MR. CHAIRMAN, I SHARE THE CONCERN OVER PAKISTAN'S NUCLEAR PROGRAM. HOWEVER, IT SEEMS TO ME REFUSING OR REDUCING THE PRESIDENT'S REQUEST, MIGHT ACTUALLY DRIVE THE GOVERNMENT OF PAKISTAN TOWARD DEVELOPMENT OF A MILITARY NUCLEAR OPTION. IF PAKISTAN CANNOT COUNT ON THE UNITED STATES AS AN ALLY AND A SUPPLIER OF ESSENTIAL MILITARY MATERIEL, THEN PAKISTAN WILL MOST CERTAINLY FEEL LESS SECURE IN FUTURE YEARS. SURELY, THIS WOULD MOVE PAKISTAN TOWARD THE NUCLEAR OPTION RATHER THAN AWAY FROM IT.

THE UNITED STATES SHOULD DO MORE TO MOVE PAKISTAN AND INDIA CLOSER TOGETHER ON THIS ISSUE, IN ORDER TO ACHIEVE A REGIONAL AGREEMENT ON NON PROLIFERATION. I AM CONFIDENT THAT A CUT-OFF IS NOT THE ANSWER.

IMPORTANTLY, PAKISTAN HAS REPEATEDLY APPEALED TO INDIA TO JOIN THEM IN STOPPING THE SPREAD OF NUCLEAR WEAPONS IN SOUTH ASIA.

ON OCTOBER 23, 1985, IN AN ADDRESS BEFORE THE UNITED NATIONS GENERAL ASSEMBLY, PRESIDENT ZIA ADVANCED FIVE SPECIFIC PROPOSALS TO INDIA:

1. THE SIMULTANEOUS ACCESSION BY INDIA AND PAKISTAN TO THE NUCLEAR NON PROLIFERATION TREATY;

2. SIMULTANEOUS ACCEPTANCE BY BOTH INDIA AND PAKISTAN TO THE INTERNATIONAL ATOMIC ENERGY AGENCY'S SAFEGUARDS;

3. MUTUAL INSPECTION OF EACH OTHER'S NUCLEAR FACILITIES;

4. JOINT DECLARATION RENOUNCING THE ACQUISITION OR DEVELOPMENT OF NUCLEAR WEAPONS; AND

5. THE ESTABLISHMENT OF A NUCLEAR WEAPONS FREE ZONE IN SOUTH ASIA.

PRESIDENT ZIA HAS DISCUSSED THESE PROPOSALS DIRECTLY WITH THE INDIAN PRIME MINISTER IN A MEETING IN NEW DEHLI IN DECEMBER 1985. THE OFFERS HAVE ALSO BEEN MADE TO INDIA ON TWO SUBSEQUENT OCCASIONS, DURING THE SOUTH ASIA REGIONAL CONFERENCE IN NOVEMBER 1986, AND DURING A MEETING BETWEEN PRESIDENT ZIA AND PRIME MINISTER GHANDI JUST LAST MONTH.

ON MARCH 13, 1987, PAKISTAN'S AMBASSADOR TO THE UNITED STATES, JAMSHEED K. A. MARKER, REITERATED ONCE AGAIN HIS COUNTRY'S OFFERS TO INDIA IN A LETTER TO THE WASHINGTON POST.

PREPARED STATEMENT OF RICHARD W. MURPHY

Mr. Chairman, Members of the Committee.

I welcome this opportunity to meet with you today and to support the Administration's proposals for fiscal year 1988 economic and security assistance for the Middle East and South Asia. Foreign assistance has become an integral part of our policy, to defend and advance our own national interests and to help others less fortunate. Several weeks ago Secretary Shultz said, "we do not seek foreign assistance solely for the benefit of others; we are pursuing our own national security and economic interest when we work with our friends and allies around the world." Nowhere is this more true than in the Near East and South Asia region where a number of our vital security and economic interests converge.

The Middle East and South Asia is a region in great turmoil. Today there are five regional conflicts that threaten stability in the area. These include the Arab-Israeli dispute, the Iran-Iraq war, the Soviet occupation of Afghanistan, the West Saharan conflict and Libya's invasion of Chad. Tension along the border between North and South Yemen, internal strife in Sri Lanka and Lebanon further endanger regional order. The Middle East and South Asia is also a region where economic strains and social change create pressures on stability. The United States has no illusion that our security assistance alone could resolve these conflicts and strains or fully protect key U.S. interests. Our aid is designed carefully to assist those friends who share our concerns. By aiding friends with economic and military financing to better protect themselves, we are enhancing our own security.

This Committee is well aware that our deficit situation and need to reduce the budget last year required deep cuts into programs important to many Americans. These cuts were painful. We in no way wish to minimize the pain of reductions in domestic programs. But we have a strong case for maintaining foreign assistance at sufficient levels required to protect U.S. economic and defense interests in this troubled region. Last year Congress reduced worldwide foreign assistance by 17 percent, while non-earmarked accounts in the NEA region were cut by 25 percent. Cuts of this magnitude have strained our bilateral relations and harmed our security programs. Our FY 1988 proposal for NEA programs is 2% below that of last year's request. We urge this committee to support the figures we have requested -- with a keen eye to U.S. national economic and security interests in the region.

THE MIDDLE EAST

Several vital U.S. interests -- strategic, political and economic -- converge in the Middle East region. First and foremost, we are working to foster stability in a region of great strategic importance to the U.S. We encourage a just and lasting resolution of the Arab-Israeli dispute. Our foreign assistance programs support this commitment. Closely related to this, we have attempted to assure the security and prosperity of our friends in the region. Their military and economic security must be dealt with in a generous and consistent manner if they are to participate fully in the peace process. Our assistance programs play a key role in our relations with friendly, pro-Western Arab nations, many of which are threated by foes of the peace process and must maintain the means to defend themselves.

The economies of Middle East oil producers and nonproducers alike have undergone setbacks over the past year: lower revenues from oil exports, reduced worker remittances, a drop in revenues from tourism as a result of terrorist threats. Many of our friends in the region suffer from the after-effects of economic contraction in the Gulf states. We are concerned about continued economic deterioration and the effect this could have on political stability and on prospects for peace.

Our foreign assistance programs play an essential role in helping to support friendly states who share our interest in and commitment to economic and political stability. As noted above, last year, these non-earmarked country accounts had to be reduced by 25% as the foreign assistance budget declined. We have before us now a budget we cannot afford to reduce further unless we are also prepared to sacrifice important national interests.

Israel

The U.S. and Israel have a unique and rich relationship based on many shared values and interests. During this Administration, our relations have grown stronger as we have forged institutional links such as the Joint Political Military Group, the Joint Security Assistance Program and the Joint Economic Development Group. These institutions reinforce our traditional ties, which we are confident will continue to be close and strong.

We are seeking a total of $3.0 billion in military and economic assistance for Israel in FY 1988, the same level as last year. This is a large amount, but we are convinced it is justified: military strength and a healthy economy give Israel the confidence to pursue the search for peace.

We request $1.8 billion in forgiven FMS credits. The all-grant terms of the FMS program will lessen the economic impact of Israel's extraordinary defense burden. This level of assistance is sufficient to assure Israel's continued qualitative military advantage in the region. Israel now faces its time of decision concerning the future of the Lavi aircraft project. We have urged the Government of Israel to consider lower cost alternative aircraft in view of the very high estimated cost of the Lavi, and we have advised that the U.S. would not be able to fund the large additional cost the Lavi would impose, in view of our limited resources and our other world-wide commitments.

In order to enhance our military assistance to Israel, last year we designated Israel, along with certain other friendly states, "a major non-NATO ally." This will enable it to participate in cooperative defense research and development projects without additional appropriated funds. The new status also acknowledges our close strategic relationship.

Our request for $1.2 billion in ESF assistance directly addresses the needs of the Israeli economy. It will enable Israel to cover the financing gap in its balance of payments, repay some of its debt, and maintain foreign exchange reserves at a level consistent with a strong financial standing.

Over the past eighteen months, Israel has made progress in reducing inflation and putting its economic house in order.

The Government plans to reduce personal and corporate income tax rates on April 1, which will improve the investment climate and, over the long run, lead to greater productivity. In addition, it has taken steps to allow private borrowers freer access to the capital market. These measures will help place the economy on the path to economic growth. More needs to be done to lower inflation, reduce government spending and stimulate productive private investment.

After years of sub-par economic performance, Israel needs growth. In 1986 GNP grew by only one percent, while consumer spending increased by over 12 percent, a disappointing performance. Investment is still slack and the trade deficit grew by over $400 million, to $2.4 billion. Imports of all categories of goods increased, but consumer products rose most sharply.

While Israel's total debt is very large, even exceeding GNP -- it was over $24 billion in mid-1986 -- its structure is favorable. Only about 15 percent is short term, while well over one half is very long term and/or concessional loans provided by the U.S. and holders of Israeli bonds. The debt service ratio was 38 percent in 1985. Most of Israel's debt to the U.S. derives from defense procurement financed under the FMS program. We are currently discussing the possibility of restructuring that FMS debt.

Egypt

A strong and stable Egypt is also fundamental to our strategic interests in the Middle East. It is a bulwark against Soviet-armed radical states that threaten stability in the Middle East and Africa.

The U.S. and Egypt have been partners in the peace process for many years and have worked continuously to expand progress towards an overall settlement. As Egypt demonstrated at the recent Islamic Summit in Kuwait, reintegration into the Arab world need not be at the expense of its commitment to the peace treaty with Israel. Resolution of the Taba dispute and the summit meeting between then Prime Minister Peres and President Mubarak in September 1986 demonstrate Egypt's firm commitment to peace with Israel. Dialogue between the two governments continues as reflected in Foreign Minister Peres' visit to Cairo last month.

Our $2.3 billion request for economic and military assistance will help Egypt meet its development and security needs so that it can continue to act as a force for peace. This amount, roughly the same as that appropriated last year, is a prudent and justified investment for furthering U.S. goals and interests in this key country.

The $815 million we are requesting for ESF will help Egypt deal with its foremost domestic problem, its weakened economy. Structural distortions in wages and prices are the underlying cause of Egypt's economic problems, but regional economic problems such as the fall in world oil prices, have exacerbated the situation. The budget deficit for Egypt's fiscal year ending June 30, 1986, exceeded 20 percent of gross domestic product. Growing foreign exchange constraints have also increased the difficulty of servicing Egypt's $38 billion foreign debt. Cutbacks in imports have slowed growth in gross domestic product to under 3 percent, down from an average 9 percent for 1974-82.

The ESF program will help provide immediate financial assistance as well as infrastructure which is essential for Egypt's economic growth and continued stability. For balance of payments support, we again propose to allocate part of our ESF program as a cash grant. The commodity import program will provide balance of payments support by funding imports of American manufactured goods and other commodities. The balance of our ESF will be devoted to projects to meet basic needs of the Egyptian people in the areas of water and sewerage, health, education, agriculture, and power as well as to promote the growth of the private sector.

One of the primary goals of our economic assistance program is to facilitate the Egyptian government's efforts to implement economic reforms that are urgently needed to address the deteriorating economic situation. The Egyptians have undertaken some important and welcome reform measures, but accelerated action on a comprehensive approach is needed to restore economic health and growth. The Egyptians are engaged in intensive negotiations with the IMF and World Bank on financial assistance. We believe IMF and World Bank involvement is essential to restore economic viability. We are encouraged that the Egyptian government is tackling its economic problems with great determination.

Our PL 480 Title I program enables Egypt to conserve increasingly scarce foreign exchange for sensitive grain imports and implement needed reforms in agriculture.

The Administration's request for $1.3 billion in forgiven FMS credits reflects our commitment to a long-term military supply relationship with Egypt to help it modernize its forces and replace obsolete Soviet equipment. This support is essential for Egypt to remain a credible deterrent to Libyan adventurism and threats to regional stability.

Our FY 1988 FMS program will fund progress payments and logistical, maintenance, and training support for existing weapon systems. Air defense systems, including ground-to-air missiles and the F-16 and E-2C aircraft, will continue to be the focus of this effort. The only significant new purchases planned in FY 1988 are additional M113 armored personnel carriers and I(improved)-Chaparral air defense systems. As part of the goal of promoting Egyptian military self-sufficiency, we are working to reduce the number of U.S. training teams and the amount of time each team spends in country. This should result in a reduction in the number of our security assistance personnel stationed in Egypt.

Since FY 1985, our FMS assistance has been on a forgiven credit basis. Given the deterioration in Egypt's balance of payments, it is essential that we continue to offer all-grant terms. This helps Egypt to contain the growth of debt servicing obligations. We have offered a proposal on restructuring the FMS loan program to allow Egypt (and other FMS borrowers) to prepay FMS loans or defer payment of part of the interest due.

The $1.75 million IMET program is an important adjunct to our military assistance program in Egypt. We use IMET funds to train Egyptian military personnel to operate and maintain U.S. equipment. IMET also teaches them U.S. military doctrine and management concepts and helps strengthen ties between the military establishments of the two countries.

Multinational Forces and Observers

The Multinational Forces and Observers (MFO) plays a significant peacekeeping role in the Middle East. Established by the Camp David accords to operate in the Sinai, the two benefiting parties, Egypt and Israel, agreed to contribute equally to maintain the forces. The United States entered into a strong political committment also to provide an equal share of the costs. After high start-up costs in the initial years and some over-estimations of its cost when its budgets were based on estimations, the MFO has successfully reduced both costs and budget projections. Last year the MFO's budget was $90 million dollars. Despite our strong political commitment to contribute one third or $30 million along with Israel and Egypt, Congress only appropriated $24.6 million. We hope to honor our pledge to our close friends with the FY 1988 request in the Peacekeeping account.

Jordan

Despite a record of careful planning and good husbanding of scarce resources, Jordan now confronts ominous regional economic trends. Jordan's once robust economy now faces rapidly increasing unemployment, a substantial trade imbalance, lower remittances from workers overseas, and a foreign exchange shortage. Jordan depends heavily on external receipts to drive its service-oriented economy, yet worker remittances dropped 10 percent in 1985 and again last year. The economy is not being replenished by sufficient investments, which have contracted about 10 percent annually since 1983. Unemployment is about 8 percent and has been increasing, especially in the youth segment of the population.

Jordan will continue to play a key role in the search for a negotiated settlement to the Arab-Israeli conflict. King Hussein has publicly recognized Israel's right to exist, has sought scrupulously to maintain the security of Jordan's border with Israel, and has repeatedly undertaken courageous initiatives towards a negotiated settlement. Yet, Jordan's ability to be an active participant in the peace process is partly a function of its ability to meet its basic economic and defense needs. Our assistance to Jordan provides both tangible and psychological support against radicalism that, if unchecked, could undermine years of U.S. effort to bring Arab states and Israel to the negotiating table.

Military supply has been a key element in our relations with Jordan for over thirty years. Our proposal for military assistance in FY 1988 is $53.8 million, which includes $40 million for the Military Assistance Program (MAP), $12 million in FMS credits, and $1.8 million for IMET. Because of budgetary constraints, our FY 1987 military assistance allocation to Jordan was 50 percent less than 1986. In FY 1988, we are requesting a 29 percent increase over the sharply reduced level in 1987. This increase is essential if we are to continue to provide spare parts and training to support U.S.

equipment already in Jordan's inventory. More than three-quarters of our total military assistance would be in the form of all-grant MAP funds, instead of FMS credits, to help compensate for our budgetary stringencies.

Our ESF proposal for $18 million will be used to support highlands agriculture, water, sewerage services, health, and technical training projects in Jordan. The ESF level proposed for 1988 represents a slight increase over the $15 million allocated in 1986 and the $14 million in 1987. It includes two components: $11 million for Jordanian programs and $7 million for Jordan's recent West Bank/Gaza initiative.

In 1986, King Hussein announced an ambitious effort to stimulate economic growth and improve living conditions in the Israeli-occupied West Bank and Gaza. Jordan's initiative is designed to build on its longstanding ties to those areas and to show its concern for Palestinians there. We decided to make an early contribution to this initiative in order to demonstrate our confidence in Jordan's efforts and to stimulate Jordan's other friends to contribute. We provided $5.5 million from FY 1986 year-end funds and are providing $7 million in 1987. Our effort will benefit residents of the Occupied Territories and give them a stake in progress toward peace.

Lebanon

The long-term objective of our program in Lebanon is to support the aspirations of the vast majority of Lebanese for unity, sovereignty and independence. While soberly and painfully aware of the problems that currently exist, we continue to support the extension of effective authority of the central government throughout the country. Creating and maintaining a core of military officers through the IMET program, for which we are requesting $475,000, contributes to that goal because the Lebanese army will have to play a critical role in any settlement. Our modest ESF request of $300,000, principally disaster relief administered through private voluntary organizations, is intended to help relieve some of the suffering that Lebanese civilians, including Lebanese refugees displaced by the civil war, bear in the current tragic circumstances.

UNIFIL

Although our financial contribution to UNIFIL is contained in the State Department budget and thus is not under this Committee's immediate purview, I want to raise the issue because support for UNIFIL is an important element in our policy in the Middle East. We believe that UNIFIL is a stabilizing element in South Lebanon and could play a key role in future long-term security arrangements between Israel and Lebanon. Shortfalls in the U.S. contribution over the past two years have had to be absorbed by UNIFIL's troop contributors. They look to us, as the country at whose urging UNIFIL was established, to provide political support for the force, and to meet our financial obligations. None of the troop contributors has threatened to withdraw from the force because of financing alone, but all have indicated that the financial burden weighs increasingly heavily in their decision making.

The supplemental for FY 1987 contains a request for $21.6 million for UNIFIL, to make up part of these past -- $60.8

million -- arrearages. Our request for UNIFIL for FY 1988 is $19.3 million, as against an anticipated assessment of $44.2 million. We strongly urge this Committee to make clear its support for out continuing participation in UNIFIL funding.

Middle East Regional Program

We are requesting $20 million in ESF in FY 1988 for the Middle East Regional Program. This will provide grants of $12 million to private American voluntary organizations for use in the West Bank and Gaza; $5 million for regional -- that is Egyptian-Israeli -- cooperation on scientific and technical projects; $1 million for multi-country development projects carried out by AID that involve population programs, legal training, and project design and evaluation in the Middle East and Asia. Our proposal for the Regional Account also includes $2 million to help support the American University of Beirut, an important cultural and educational link between the United States and Lebanon that is in our interest to preserve.

Our assistance to the West Bank and Gaza clearly and effectively demonstrates American concern for the well being of the Palestinians residing there. We believe this assistance in improving the quality of Palestinian economic and social life contributes to an improved climate for a negotiated settlement. It is a complementary but separate program from the Jordanian West Bank program which we also support.

Since 1975, in our direct program, we have provided about $70 million in economic assistance to the West Bank and Gaza. We committed about $14 million in FY 1986. Budget constraints forced a sharp reduction in 1987 to $8.5 million, which permits only partial funding of the program and prevents us from undertaking new activities. Our request for $12 million for 1988 will allow us to continue to support new PVO projects as projects that were begun in past years are completed.

The Regional Cooperation Program is the second largest component of the Middle East Regional account and funds scientific and technical projects in which Israeli, Egyptian, and American universities jointly participate, along with their respective governments and other institutions. These counterpart projects, include arid lands agriculture, technology exchange in agriculture, marine sciences, and infectious disease research. The goal is further to normalize relations between Israel and Egypt and hopefully other Arab states in the future.

SOUTHWEST ASIA/PERSIAN GULF

Our interests in the Persian Gulf lie in protecting the free flow of oil through the Strait of Hormuz; blocking Soviet expansion; and ensuring the continued stability of the Arab Gulf States, particularly in the face of Iranian radicalism. The President, in his February 25th statement, reiterated our strong commitment to the stability and security of all our friends in the Gulf region as well as to ensuring the free flow of oil through the Strait of Hormuz.

About 60 percent of the Free World's proven oil reserves and 25 percent of its crude oil production are located in the Gulf. This oil will continue to be critical to the economic health of the West during the next decade and beyond. Our strategic interests require that we counter Soviet efforts to gain inroads in this vital area and help our friends guard against threats to their security and stability.

Our security assistance and arms transfer programs in the Gulf are designed to provide the moderate Arab states with means necessary for their own defense, individually and collectively within the Gulf Cooperation Council, and, in the process, defense of our mutual interests.

The Iran-Iraq war, now in its seventh year, is of special concern to the moderate Arab states of the Gulf. They view Iraq's defense efforts as critical to their own survival and act accordingly. The danger of spillover of the war has been particularly great since Iranian troops occupied Faw, just a few miles from the Kuwaiti border, in February 1986. Iranian naval activity in the lower part of the Gulf heated up in the course of 1986 and has continued into 1987. Iran has targetted facilities of non-belligerent states, such as the United Arab Emirates, and has increased attacks on neutral international shipping in and near the strategic Strait of Hormuz. We have an important stake in ensuring that the threatened states have the wherewithal to defend themselves and in supporting them in order to deter Iran from even considering direct confrontation with them.

Our extensive web of relations with the moderate states of the Gulf have political, diplomatic, commercial, economic and military dimensions. Our assistance programs and FMS to friendly countries help to ensure access to the petroleum resources of the region for the U.S., our allies and friends, and access to military facilities should U.S. forces ever be required in time of crisis. By strengthening the individual and collective self-defense capabilities of the Gulf Cooperation Council states, we may never need to deploy U.S. soldiers to the Gulf to defend our vital interests there.

Oman

Our 1980 Access Agreement with Oman is key to U.S. strategy for the protection of the Persian Gulf. This Agreement allows U.S. military access to certain facilities in Oman under contingency conditions. The U.S. and Oman added an economic development dimension to the enhanced bilateral relationship by creating a Joint Commission on Economic and Technical Cooperation and development projects that are supported by ESF. The Omani government attaches great importance to the economic side of our cooperation because it demonstrates that our bilateral relations are multifaceted and not based solely on joint security interests. A reduction in this program could make more difficult the review of our Access Agreement in the next several years.

Because of budgetary constraints, our ESF allocation for Oman in 1987 was $15 million, about $4.5 million below the 1986 level. We have asked for an additional $5 million in the 1987 supplemental budget request and $20 million in 1988, the same amount provided in 1985.

Our fiscal year 1988 request for Oman also includes $5.15 million in FMS credits. The United Kingdom remains Oman's main military supplier, but Oman is interested in using FMS credits to purchase major items from the U.S. Given their difficult economic situation, however, the Omanis are prudently assessing their allocation of scarce budgetary resources between security and economic needs.

Yemen Arab Republic

Our FY 1988 request for the Yemen Arab Republic (YAR) includes $3 million in MAP funds, $1.1 million for IMET, $5 million in PL 480 food aid and $22 million in Development Assistance.

The YAR occupies a strategic, buffer area between the Marxist Peoples Democratic Republic of Yemen (PDRY) and Saudi Arabia. It has been threatened in the past by both direct attacks from, and insurgency supported by, successive PDRY regimes. Last year's coup in the PDRY raised anew the potential for outside-inspired subversion because the coup brought to power some particularly doctrinaire communists who have advocated insurgency against the North. Our interests are served by supporting a stable government in Sanaa that can resist outside threats and meet the needs of the people for sustained economic development.

The YAR is one of the poorest and least developed countries in the Middle East. In recent years, it has been seriously affected by the sharp decline in Arab donor aid and a drop in worker remittances. While an American oil company has found significant oil reserves in the YAR, it will be several years before the full economic benefits will be felt. Even then, given the large population and the near total lack of infrastruture and industry, that new income will take time to have a meaningful impact on the life of the average Yemeni or the YAR's ability to fund its own needs.

The YAR will use MAP funds to maintain U.S.-origin equipment and support training for its armed forces. It would like to see major increases, currently impractical given our budgetary constraints. It is essential that we maintain, and whenever possible, strengthen our program as an alternative to Soviet military influence and to increase the Yemeni Armed Forces' effectiveness as a deterrent to further military adventurism by the Marxist PDRY. Overall, our assistance program fosters closer cooperation between our two military establishments and develops skills needed for operation and maintenance of U.S. equipment. It also helps meet the YAR's need for a strong defense and reliable friends, and complements long-standing cooperative assistance programs with Saudi Arabia.

NORTH AFRICA

Tunisia

Our contribution of approximately $847 million in economic assistance through AID between 1962 and 1986, has helped Tunisia move into the ranks of middle-income countries. Since the 1980 Libyan-backed attack at Gafsa, U.S. military assistance of some half billion dollars has enabled Tunisia to develop a limited deterrent to further, potential aggression from Tripoli. We judge those threats to be serious and continuing.

Militarily frail, Tunisia is especially vulnerable to pressures from Libya at this time of political development and transition. Equally important, the deleterious regional economic trends have resulted in an urgent liquidity crisis. In response, the Tunisian government has undertaken a major structural adjustment program which encompasses increases in basic commodity prices, limits on wage increases, modifications of price controls, liberalization of imports, cuts in subsidies and a 25 percent devaluation of the dinar.

For FY 1988, the Administration has requested $40 million in MAP; $20 million in ESF; $5 million in PL 480 Title I and $1.42 million in IMET for Tunisia. MAP financing will provide modest funding for replacement equipment, as well as necessary maintenance and ammunition to support existing inventories. ESF will help finance the foreign exchange deficit. Our economic assistance includes funds for a fast-disbursing commodity import program, scholarships and agricultural projects to promote greater productivity and technology transfer.

Morocco

Morocco frequently supports U.S. policies and we share important mutual interests in a number of strategic areas. Joint military exercises give our forces a near-ideal venue for a level of training unsurpassed outside of NATO. Morocco has agreed to access and transit for U.S. forces on a case-by-case basis. The Voice of America is now developing the free world's most powerful radio transmitter at a site near Tangier. Such cooperation has a long and distinguished history; 1987 marks the bicentennial in friendly, treaty relations between Morocco and the U.S.

King Hassan and his government have been a moderating influence in Arab, African and Non-Aligned circles on issues ranging from the Middle East peace process to name-calling at the United Nations. Last July King Hassan hosted then Israeli Prime Minister Peres for direct discussions on Middle East issues. Shortly thereafter, the King abrogated his unity treaty with Libya. Both were constructive, courageous actions.

Morocco is now addressing, in cooperation with the IBRD and the IMF, serious economic problems, many of which were caused by factors beyond its immediate control. Measures include dismantling administrative controls and protectionist measures in order to create an open, liberal economy which relies on markets to allocate resources. Morocco has reduced maximum tariffs on imports from over 100 percent to 45 percent in three years, devalued the monetary unit (dirham) by over 20 percent in two years, simplified customs procedures, decontrolled many prices and reduced consumer subsidies by over $100 million in two years.

The Government of Morocco perceives our ESF levels as an especially important indicator of the state of the bilateral political relationship. In seeking $20 million ESF funding in FY 1988, we will help Morocco to persevere in a difficult economic adjustment program. The requested increases in MAP and FMS loans, although not sufficient to cover purchases of new, major end use items, will help meet a shortfall in sustainment levels required to maintain and operate U.S. equipment provided under previous programs.

SOUTH ASIA

Afghanistan

U.S. opposition to the Soviet military presence in Afghanistan is unequivocal. In the absence of a political settlement which provides for the prompt and complete withdrawal of Soviet troops and self-determination for the Afghan people, we will continue our firm support for the Afghan cause. In attempting to make good their conquest, the Soviets pursue policies which effectively "generate" refugees. They have engaged in deliberate destruction of crops, livestock and irrigation systems, and in the disruption of trade and transportation networks. The effect is to lower an already inadequate standard of living to well below subsistence level.

Our humanitarian assistance programs aim to counter these Soviet policies. Our aim is to provide war-affected Afghans with the wherewithal to remain inside Afghanistan and not to become refugees. We further seek to strengthen the newly formed Afghan Resistance Alliance, which administers these programs inside Afghanistan. Not least, these programs help to minimize the suffering of a people who have suffered far too much over seven years of war.

In FY 1987, our humanitarian assistance programs for Afghans inside Afghanistan will total roughly $50 million, a substantial increase over FY 1985 levels when these programs got underway. Our efforts include $30 million for AID-administered health, education and commodity support programs; $17 million for the transportation of nonlethal excess DOD supplies and the transport costs of Afghan war wounded seeking specialized, privately arranged medical care unavailable in Pakistan; and additional PL 480 food aid. We will make a similar request in FY 1988.

Pakistan

An important element of our Afghan policy is bolstering the "front line" state of Pakistan. A close strategic friend of the U.S. in its own right, Pakistan plays a critical and dangerous role in opposing Soviet aggression. It is a haven for three million Afghan refugees and is threatened by Soviet aggression--indeed repeatedly targeted by communist bombing raids on its territory. Pressures have not abated. Afghan fighting has intensified, and Soviet/Kabul regime attacks across the border, as well as sabotage activities inside Pakistan, have increased.

Our policy is to encourage a strong, independent and prosperous Pakistan. The 1981 multi-year assistance program, a $3.2 billion package of economic and military aid now in its final year, has been notably successful in achieving its objectives; giving Pakistan the confidence in our support to stand up to the Soviets; exercising restraint in the nuclear area through conventional arms transfers; seeking better relations with India; managing a smooth transition to democratic government at home.

Pakistan continues to need our support and our help. Last March, we agreed on the broad outlines of a new program of assistance, amounting to $4.02 billion over six years, beginning in FY 1988. With Congressional support, this program will enable us to continue efforts to help Pakistan -- now under civilian rule -- to address vital needs for defense modernization, balance of payments help and refugee aid.

The proposed new program is split 57/43 in favor of economic over military assistance, as opposed to the 50/50 ratio in the current program. On the economic side, the package will continue important programs in health, family planning, energy, and agriculture and will provide short term balance of payments support as well. The assistance package also supports Pakistan's efforts to deal effectively with its serious drug problem. Congressional support for the package will underscore our long-term, bipartisan commitment to Pakistan's security and progress. The terms of the assistance programs we propose take into account the problem of debt which Pakistan faces, by being more concessional than those in the current multi-year program. In determining which weapons are to be funded through the proposed FMS credits, we will remain mindful of the need to avoid upsetting what has been an essentially stable military balance on the subcontinent.

I assure you, Mr. Chairman, that nuclear non-proliferation remains a central national security concern of this Administration, and a key issue in our relationship with Pakistan. Our assistance relationship is designed to advance both our non-proliferation and our strategic objectives relating to Afghanistan. Development of a close and reliable security partnership with Pakistan gives Pakistan an alternative to nuclear weapons to meet its legitimate security needs and strengthens our influence on Pakistan's nuclear decision making. Shifting to a policy of threats and public ultimata would in our view decrease, not increase our ability to continue to make a contribution to preventing a nuclear arms race in South Asia. Undermining the credibility of the security relationship with the U.S. would itself create incentives for Pakistan to ignore our concerns and push forward in the direction of nuclear weapons acquisition.

India

The administration attaches high priority to developing a close relationship with India, South Asia's largest nation and the world's largest democracy. Our long-term interests require that we broaden and deepen both our political dialogue and practical areas of cooperation with India. Both governments reaffirmed their dedication to this effort during Prime Minister Gandhi's June, 1985 visit with President Reagan. We have consistently supported the unity of India and oppose demands for a separate state of Khalistan, just as we oppose, and condemn, the terrorism employed by some of its advocates.

America's private sector is playing an increasing role bringing our countries together. India's bold measures to liberalize the economy are attracting a growing number of U.S. exporters and investors. We continue to be India's largest trading partner and U.S. business is the leading source of new foreign investment and new industrial and technological collaborations. The anticipated sale of an American supercomputer will make a key contribution to India's efforts to predict the annual monsoon on which its farmers depend.

Our governments too have found new avenues of cooperation. One is defense production and increased military contact. Last year, India decided to purchase American engines for prototype models of its light combat aircraft and signed an agreement to co-produce a U.S. naval turbine for use in Indian ships. Under the U.S.-India Science and Technology Initiative inaugurated by President Reagan and the late Prime Minister Indira Gandhi, U.S. and Indian scientists participate as scientific equals, with joint investment for mutual benefit in areas such as health and agriculture.

U.S. economic assistance programs strongly support these efforts. Yesterday, U.S. aid made it possible for India to banish the threat of famine. Today, our development assistance, down to $50 million in our proposal for FY 1988, has been redirected to provide quality inputs which respond to new priorities in business and technology, while still helping the 350 million Indians who remain below the poverty line. Resource transfers have given way to expanded technical assistance, training and research. AID programs support work in biomedicine, energy technology and R & D in the private sector, as well as assistance in such areas as nutrition and child survival. The PL-480 food assistance program assists India's most vulnerable people, low-income children and mothers, and has recently helped reopen the Indian market to commercial exports of U.S. vegetable oil, supported by the U.S. Export Enhancement Program.

India has vast potential as a market for U.S. goods. With 100 million people already able to buy a great variety of consumer goods, our aid program is becoming increasingly important to our efforts to promote U.S. exports and to strenghen reliance on market forces in India. It brings awareness of and access to American technology in all parts of India. An AID grant made it possible for a U.S. firm to meet foreign mixed-credit competition and win a computer contract which could result in a half-billion dollars in U.S. exports.

In all these ways, despite substantial reductions due to budgetary pressures, U.S. assistance continues to have an important impact in meeting India's needs, and a visibility far greater than the amount would suggest. AID keeps open a channel of dialogue which withstands all political differences. U.S. political objectives, and the future of U.S. business ties with India, are strongly supported by our ability to maintain this program.

Bangladesh

Our programs in Bangladesh contribute directly to economic growth, stability, equity and reform in this poor nation of 100 million. They also help to increase Bangladesh's capacity to attain self-sufficiency in foodgrain production, while ensuring an adequate food supply, especially to the most needy. With our support, Bangladesh has encouraged increased private sector participation in the economy and greater scope for individual initiative. In the past year, martial law ended and representative institutions including an elected national assembly began to function again. Given Bangladesh's poverty and enormous needs, our assistance is all grant. We propose $60 million in development assistance, $60 million PL 480 title I/III, $20,395 PL 480 title II and $300,000 in IMET funds.

Sri Lanka

We have had a long and friendly relationship with Sri Lanka, a country noted for its democratic traditions and its more recent economic success, both of which serve as proof to other developing countries of the efficacy of the political and economic system we advocate. Our ties have grown especially close over the last decade, as we played a major role in Sri Lanka's efforts to develop the water and energy resources of its Mahaweli River system. With the near-completion of that scheme, our assistance programs have contracted and will now focus on private enterprise, agriculture, health, nutrition and housing. We remain concerned over the continuing insurgency which threatens Sri Lankan unity, and we support efforts by all involved to bring a peaceful solution, while preserving the unity of the island. Our request is for $16.79 million in developmental assistance; $16 million PL 480 I (loan); $2.5 million PL 480 (grant); and $160,000 IMET.

Nepal

Our aid partnership with Nepal demonstrates our continuing support for Nepalese independence and sovereignty. Our programs are designed to support Nepal's own efforts to achieve balanced economic and political development. The good relations we maintain with Nepal reinforce that small nation's moderate voice in international organizations, such as the UN and the Non-aligned Movement, and support its participation in international peacekeeping forces such as UNIFIL. We are requesting $13 million in Developmental Assistance and $100,000 in IMET.

PREPARED STATMENT OF DWIGHT A. INK

Mr. Chairman, I am pleased to have the opportunity to come before this subcommittee in this Year of the Americas to testify on our proposed economic assistance program for the Latin American and Caribbean region.

The economic assistance program is vital to the social well-being and economic survival of many people in our neighboring countries in the Western Hemisphere. It is also an integral part of the overall U.S. effort to protect our political, security, and economic interests in the region. Those interests have been seriously threatened by a number of events since the late 1970s, including a severe economic depression, an external debt crisis, the assumption of power by Marxist governments in Nicaragua and Grenada, the activities of terrorist organizations, and the powerful corrupting influence of international narcotics traffickers.

The Administration and the Congress have responded to these challenges through such programs as the Caribbean Basin Initiative (CBI), the Central America Initiative (CAI), a disaster relief effort in the Andean countries, and support for controlling narcotics production and trafficking.

The goals of U.S. economic assistance to the LAC countries have included economic stabilization, policy reforms to stimulate rapid and sustained economic growth, and a wider sharing of the benefits of growth. Special attention is being given to broadening training opportunities for disadvantaged groups; strengthening the quality of primary education; improving health status, particularly among children; expanding access to family planning information; improving access of poor rural families to land; and increasing the availability of credit and technical assistance to small business operators. Equally important has been the goal of expanding and strengthening democratic institutions and traditions. The existence of stable, friendly, democratic governments in the LAC countries offers the best hope for improving the quality of life of the people of these countries and for protecting our interests in the Western Hemisphere.

PROGRESS TOWARDS DEMOCRACY AND ECONOMIC RECOVERY

I am very encouraged by the progress toward democratization the LAC countries have been making. Last year there were free, fair elections in Costa Rica, Colombia, the Dominican Republic, Barbados, and Trinidad and Tobago, with opposition political parties winning office in the last four countries. A longstanding dictatorship in Haiti was toppled, and elections are scheduled for that country later this year. No democratically elected government was overthrown during during 1986, as political opposition groups were increasingly inclined to settle disagreements through the electoral process. Never have there been so many leaders in the Western Hemisphere who have assumed their positions through meaningful elections.

Progress is also being made on the economic front, but the rate of economic recovery remains slow, largely because of external factors. The economic downturn for the LAC region as a whole was reversed in 1984, and the region's annual GDP growth rate over the last three years has averaged 3.1%. While this growth rate is positive in per capita terms, it is far short of the 6.0% average annual GDP growth rate achieved in the 1970s -- a performance we believe can be regained, but which will take time. Moreover, GDP growth has been below the regional average in the smaller and poorer A.I.D.-assisted LAC countries, whose economies are highly vulnerable to external events. The weighted average GDP growth rate for these countries was only 2.0% in 1984, 0.7% in 1985, and 1.8% in 1986.

The state of the international economy is the major reason for the continued slow pace of the recovery in the LAC region. The GDP growth rate in the world's industrial countries fell from 4.7% in 1984 to 3.0% in 1985 and an estimated 2.7% in 1986. The growth of world trade slowed from 8.6% in 1984 to a modest 3.1% in 1985 and an estimated 4.2% in 1986. Although the continued drop in petroleum prices benefited most LAC countries, non-oil commodity prices fell by 12% between 1984 and 1985, and by a further 4% in 1986, thus lowering the region's traditional export earnings. Rising protectionism in the industrial countries further restricted the LAC countries' export opportunities and inhibited new investments. This makes more difficult the development of a broadened export base in these countries, and therefore their capacity to import more U.S. goods.

These adverse developments offset the encouraging gains made by many countries, especially in the Caribbean Basin, in nontraditional exports. These increased exports were due in large part to the policy reforms the countries of the region have undertaken and to the opportunities offered by the CBI. Another positive development, the decline in world interest rates, was offset by disappointingly low levels of new external financial assistance from commercial banks and official sources. These fell well short of the levels recommended by U.S. Treasury Secretary Baker at the joint annual meeting of the International Monetary Fund (IMF) and the World Bank in October 1985.

In Central America, political and security conditions, though improved, remain as another major obstacle to a faster economic recovery and a widespread improvement in living standards. These conditions have inhibited both the significant repatriation of capital sent abroad earlier and the strong upsurge in private investment which the National Bipartisan Commission on Central America (NBCCA) projected when it made its recommendations in January 1984. Governments in the Andean countries have been beset by challenges from terrorists and narcotics traffickers.

Until internal and external conditions improve in the LAC region, the economic recovery will continue to be relatively slow. Meanwhile, U.S. assistance is playing a major role in facilitating both economic stabilization and, simultaneously, the policy reforms needed to ensure sustained economic growth over the long run. Our balance-of-payments assistance has provided the foreign exchange needed to maintain imports of inputs needed by the LAC countries' agricultural and manufacturing sectors. Without that assistance, production would be significantly lower, incomes would be further depressed, and more people would be out of a job. Balance-of-payments assistance has also made it easier for countries to adopt economic policy reforms needed to encourage growth, by cushioning the temporary adverse effects of these reforms -- e.g., currency devaluation, positive real interest rates, and removal of price controls -- on lower income groups.

In Central America, U.S. assistance levels have fallen far short of NBCCA-recommended levels because of budgetary restrictions. Without the additional $300 million we are requesting in FY 1987, the cumulative shortfall will exceed $1 billion by the end of FY 1987.

Two weeks ago we presented to the Congress a report, as required by the FY 1987 continuing resolution, on what would be required to fully fund the CAI. This report shows that additional time will be needed to substantially meet the NBCCA recommendations. We are therefore requesting that the CAI period be stretched out for three years, to run through FY 1992, and that total appropriated funding for the CAI be increased from $6.4 billion to $6.9 billion.

U.S. INTERESTS

The United States has major economic as well as security interests in the LAC region. The LAC countries constitute a major market for our exports. In 1981, at the onset of the region's economic crisis, they bought $42.2 billion of U.S. products, or 18% of our total exports. But as the crisis deepened and foreign exchange availabilities declined, LAC purchases of U.S. goods fell sharply to $25.7 billion in 1983. This cost the United States an estimated 400,000 jobs in export industries. Although U.S. exports to the region recovered to $31.0 billion in 1985 and a similar level in 1986, this figure is still well below the 1981 peak, particularly after adjusting for inflation. It is also far below the potential market in the LAC region for U.S. products.

The United States also has significant investments in the LAC region, amounting in 1985 to $29.5 billion, or 54% of all U.S. direct investment in developing countries. The economic crisis in the region has lowered returns on this investment. In addition, it has threatened the financial position of many U.S. banks with loans to LAC countries which have been unable to keep current on debt servicing. Other major impacts of the economic difficulties in the region have been an increase in illegal migration to the United States and a greater temptation for many persons to turn to the lucrative field of narcotics production and trafficking.

Our primary strategic objective in the LAC region is to support the presence of stable, friendly, democratic governments which provide a climate of political and economic freedoms in which our major security interests, as well as theirs, can be protected and human needs can be better met. U.S. interests include access to petroleum, to other industrial raw materials, and to the unimpeded use of the sea lanes adjacent to North America and the Panama Canal. The region is also important to our efforts to restrict the flow of illegal narcotics and migrants into the United States, to thwart the operations of international terrorist groups, and to prevent the seizure of power by hostile forces.

Latin America accounts for a major share of our worldwide efforts to stop narcotics production and trafficking. A.I.D. is cooperating with the LAC countries in the narcotics control effort through such activities as education programs to increase the awareness by the public of the damage caused by drugs and programs to assist in developing alternative sources of income and employment, once interdiction drives the price paid to farmers for coca below their costs of production and marketing.

The narcotics scourge, generated largely by U.S. demand, is having an increasingly severe impact on the Andean countries. Drug use within these countries is on the rise, crime and violence are increasing, and responsible government officials and other citizens who try to take action against the drug trade place their lives in danger. If these trends continue, the overall health of the region's economies will be seriously affected as investor confidence erodes and democratic processes are weakened.

The LAC region is also a major focus of our worldwide concern for improving respect for human rights and strengthening democratic institutions. The United States has played an active role in supporting the civilian, democratically elected governments now found in most LAC countries. The prolonged economic crisis in the region is a serious threat to the expansion and consolidation of democratic processes. A.I.D.'s economic assistance and administration of justice programs seek to help preserve and strengthen democratic gains by stimulating a private-sector-led economic recovery whose benefits will extend to the entire population. This weakens the appeal of radical, undemocratic elements, including the guerrilla groups now seeking to destabilize the governments of a number of LAC countries.

It is very sobering to contemplate the ultimate cost to the United States if economic stabilization fails to occur, resulting in the demise of democratic leaders, their replacement by Marxist-oriented rulers, an increase in human rights violations, the provision of safe havens for narcotics processing and trafficking, and the acceleration of terrorism and violence in our own Hemisphere.

SOCIAL AND POLITICAL IMPACT OF THE ECONOMIC DECLINE

The depth and duration of the regional economic crisis have caused serious social and political strains throughout the LAC region. Broad segments of society have opposed government plans to adopt stabilization programs, arguing that they have suffered enough austerity. In Mexico, where an initially successful recovery effort was undermined by falling prices for petroleum exports, the sharp drop in per capita GDP in 1986 exacerbated widespread domestic discontent with the country's political system and provided more stimulus to illegal migration to the United States.

Costa Rica, whose successful stabilization efforts beginning in 1982 resulted in a modest economic recovery in 1984-86, is growing increasingly impatient with the constraints placed on this recovery by its huge external debt. In September 1986 it temporarily suspended principal and interest payments on its debt to foreign commercial banks, the full servicing of which was clearly not going to be possible in 1987 despite lower interest rates. Jamaica, where the decline in living standards began a dozen years ago, faces difficulty in adopting further economic policy reforms because of widespread discontent with the perceived failure of previous reforms to revive the economy. These structural reforms, though generally sound, were unfortunately offset by unfavorable international events -- especially trends in the world markets for bauxite and alumina -- and by insufficient progress in reducing the fiscal deficit.

Some countries, while aware of the risks, have nevertheless had the political courage to adopt comprehensive stabilization programs accompanied by policy reforms to stimulate new investment and growth. The most notable current examples are Bolivia, Ecuador, Guatemala, and Haiti. While there has been widespread recognition within these countries that major policy reforms were required, these reforms -- whose implementation to date has been very encouraging -- will need to begin to bear fruit relatively quickly if they are to be politically sustained. If not, the processes of democratization now under way in these countries will be seriously threatened.

Successful implementation of stabilization and growth-stimulating policy reform measures will depend on both a favorable international environment and significant economic assistance and other capital inflows to cushion the short-term effects of the needed policy changes. If these flows are not forthcoming, pressures will grow on governments to adopt measures such as inflationary government spending which will only make matters worse over the long run and undermine support for democratic institutions and processes, which are still fragile in many countries.

A.I.D.'S STRATEGY AND GOALS

A.I.D.'s strategy for addressing the LAC region's development problems focuses on achievement of four broad goals: (1) short-term economic stabilization, (2) basic policy reforms which permit rapid and sustained economic growth, (3) a wider sharing of the benefits of growth, and (4) the strengthening of democratic institutions and respect for human rights. This growth-with-equity strategy is largely targeted on the needs of lower-income groups and a broadening of the base of private enterprise. It emphasizes productive employment opportunities as well as greater access to health care, education, and social services. The strategy stresses the role of the private sector as the main engine of development, but it recognizes the need for more people to enter the private sector through small and micro enterprises. It also seeks, through policy dialogue, to improve the role of the public sector by encouraging reforms which increase economic and political freedoms, management improvements which reduce the costs of public services, and measures which take the government out of activities better handled by private enterprise. A.I.D. stresses the importance of institution building and training in the development process, and strives to apply advances in science and technology to all its programs.

PROGRESS IN IMPLEMENTING THE STRATEGY

1. Stabilization. Economic stabilization -- reducing fiscal and balance-of-payments deficits and bringing inflationary pressures under control -- may be temporarily painful, but it is necessary to avoid the even greater pain that policy inaction ultimately causes. The longer these measures are delayed, the greater is the political cost when ultimately they can no longer be avoided. Stabilization is also essential for establishing the climate of confidence needed for private-investment-led growth. A.I.D. has encouraged and underwritten stabilization efforts through programs supported by Economic Support Fund (ESF) resources, which both cushion temporary declines in economic activity and facilitate the adoption of reforms needed to stimulate economic recovery.

A key objective of our stabilization assistance is that countries be able to manage their external sectors on a current basis by eliminating arrearages and the need for further debt reschedulings, and by restoring fiscal equilibrium. Countries making good progress toward stabilization during 1986 included Bolivia, the Dominican Republic, Guatemala, Haiti, and Uruguay. Honduras is improving its economic policy management. Ecuador continued to follow sound economic policies, but its efforts were undermined by a sharp drop in petroleum prices, which significantly reduced both foreign exchange earnings and fiscal revenues. Elsewhere the record was mixed; some countries made slow progress, while others allowed their fiscal and balance-of-payments deficits to become worse, thus making stabilization all the more difficult to achieve. Because of slow progress in implementing stabilization measures, as well as continued violence in some countries and an international economic environment that has remained generally unfavorable, completion of the stabilization process in a number of countries is going to take several more years than earlier anticipated. During this period significant balance-of-payments assistance will continue to be needed to prevent a further general decline in living standards.

Our experience during the past year has demonstrated the difficulties that the generally fragile democracies of the region face in sustaining unpopular stabilization measures long enough for economic growth to ease the political stress. This experience underscores the importance of communicating with various segments of society in consensus-building prior to taking austerity measures. I believe we also have to exercise greater patience in recognizing that results often take a period of years to achieve -- just as they do in the United States.

2. Policy Reforms for Long-Term Growth. Most LAC countries need to accompany their stabilization efforts with structural reforms to achieve rapid and sustained economic growth within an international environment that differs sharply from that of the 1960s and 1970s. Achievement of rapid and sustained growth will depend largely on the success of countries in further reorienting their development strategies away from import substitution and toward exports to nonregional markets. A strategy with such an outward orientation will result not only in faster economic growth over the long run, but also in more job creation and a more equitable pattern of growth by encouraging labor-intensive patterns of development.

Specific reforms needed vary from country to country, but include establishment of positive real interest rates to mobilize domestic savings, removal of agricultural price and marketing controls to stimulate agricultural production, privatization of inefficient government enterprises, and adoption of flexible exchange rate policies and tariff reductions. These measures reduce the amount of protection given to inefficient local production and shift resources to export products for which countries have a comparative advantage.

Progress toward export diversification has been good. The Caribbean Basin countries, for example, increased their exports of manufactured goods to the United States by 25% in 1984 and 21% in 1985. We do not yet have full data for 1986, but the growth rate appears to have been substantially lower. Nevertheless, countries which have made good progress in implementing structural reforms -- including Belize, Costa Rica, the Dominican Republic, and Jamaica -- continued to show strong performance in 1986. Guatemala, where growth-stimulating policy reforms have just begun, also had a strong percentage gain in 1986.

While increased exports of manufactures and other nontraditional exports are essential for restoring rapid economic growth in the Caribbean Basin countries, it is important to bear in mind that these exports -- an estimated $1.9 billion sold in the United States in 1986 -- will still account for only a very small share of U.S. markets for these products. The effects on U.S. producers will be relatively minor and more than offset by the greater opportunities for U.S. exports that healthy Caribbean Basin economies will offer.

Moreover, the CBI has benefited many U.S. firms threatened by competition from imports, particularly from low-cost suppliers in Asian countries. The CBI improves the competitive position of these U.S. firms -- thus saving U.S. jobs -- by making it more attractive for them to enter into production-sharing arrangements with firms in the Caribbean Basin. Many of the products coming into the United States from CBI beneficiary countries under tariff provisions 806/807 have a U.S. content of 70% or more.

The main elements of our strategy for achieving export-led growth and the associated increases in income and employment are: (1) policy reforms to stimulate a reallocation of resources to more productive activities; (2) commercialization of agriculture and provision of key production inputs to small farmers; (3) increased production and export credit for agriculture and industry; (4) technical assistance for small business; (5) promotion of private investment and strengthening of private sector organizations; (6) support for free zones, industrial parks, and other services for exporters; and (7) financing of rural infrastructure to stimulate small-farm output.

Over the long run, the growth of the LAC countries' agricultural sectors and related economic activities will depend to a considerable extent on conservation of biological diversity and other natural resource management programs. An LAC Regional project is helping to raise host countries' awareness of biological diversity concerns. Other activities in this area include a project to improve national parks management and establish wildlife preserves in Panama, and a project to inventory and evaluate natural resources in Ecuador. In addition, projects in Panama and Haiti, and a Central American regional project, are strengthening the protection and management of tropical forests. In a number of countries A.I.D. is supporting agroforestry, terracing, and other soil conservation programs. In the Andean countries we have become very concerned about the environmental damage being caused by coca cultivation. A.I.D. is not only providing environmental analyses of its own projects but is beginning to provide similar analyses of relevant projects financed by multilateral donors.

3. Spreading the Benefits of Growth. An export-oriented growth strategy can promote more equitable development through job creation, encouragement of small businesses, and the generation of revenues needed to extend the coverage of health, education, and other social services. Coverage can also be extended through more efficient operation of public services and the use of cost-recovery measures, both of which are particularly important in countries where real budgetary resources have fallen because of the economic crisis. Nevertheless, targeted programs to improve the conditions of the poor will still be needed to ensure that the benefits of growth will be widespread. Opportunities for small farmers and other poor rural families can be increased through greater access to land, credit, and other productive resources; technical assistance; and the elimination of price controls and other disincentives to production. A.I.D. will continue to promote more equitable patterns of development by supporting programs that:

-- improve the quality and efficiency of primary education;

-- expand access to family planning information, particularly through private institutions, to help reduce the regional population growth rate from the 1982 level of 2.3% to 1.9% by 1988;

-- improve health status in the region through oral rehydration therapy, immunization, improved nutrition, and other programs responsive to A.I.D.'s new Child Survival Strategy;

-- improve the access of poor rural families to land through support for settlement programs, legal reforms to provide secure land titles, and financing for private land purchases;

-- increase the availability of credit and technical assistance to small business operators;

-- provide better housing for low- and moderate-income families through technical assistance, ongoing Housing Guaranty loans and other activities; and

-- assist displaced persons through provision of health services, educational opportunities, and productive employment.

4. Democratic Institutions and Human Rights. Economic growth will best benefit the citizens of the LAC region and support U.S. interests there if it occurs in an environment in which governments permit their people to participate freely in local and national political processes; to form democratic labor unions, cooperatives, and other voluntary organizations; and to have recourse to a judicial system that will administer justice fairly and speedily. Although the U.S. Government cannot dictate to other governments how they should structure their political institutions and processes, we can provide our moral and financial support to those countries upholding democratic institutions and respecting human rights. A key element in U.S. economic assistance decisions in each LAC country is the degree of commitment of that country to free elections, independence of the judiciary, and respect for individual rights, and the degree of progress each country is making toward these goals.

Encouraged by progress in these areas, A.I.D. will continue to strengthen the administration of justice through technical assistance, training, and material support for court systems, criminal investigative agencies, public prosecutors and defenders, justice ministries, law schools, and bar associations. A.I.D. will also continue providing technical assistance to improve the administration of elections and to strengthen the analytical and administrative capacity of national legislatures. In addition, A.I.D. activities with a large number of private and voluntary organizations (PVOs) will support the development of democratic institutions and processes by providing assistance to democratic labor unions, voluntary cooperatives, women's organizations, and other participatory groups.

The process of democratization in the LAC region is being further supported by a major training initiative, the Caribbean and Latin American Scholarship Program (CLASP), which will provide scholarships for study in the United States and in the region itself for 11,700 individuals. CLASP consists of three major components. By far the largest is the Central American Peace Scholarships project (CAPS), under which A.I.D. will enable an estimated 8,500 Peace Scholars to be trained in the United States between FY 1985 and FY 1989 in response to a recommendation of the National Bipartisan Commission on Central America (NBCCA). The CAPS project focuses on priority economic, social, and political development needs, and targets disadvantaged groups who previously have lacked access to such training. It also provides a personal opportunity for large numbers of people to see democracy and free enterprise at work in the United States, thus helping to counter the impact of the many thousands of young men and women given scholarships for study in the Soviet Union, the Eastern Bloc, and Cuba, where their education includes indoctrination in Marxist ideology.

Implementation of the CAPS project has moved forward very well: 1,661 students began training during FY 1985, and 1,836 during FY 1986. The total of 3,497 through FY 1986 substantially exceeds the target of 2,855 established for this initial period.

The second component of CLASP is the Presidential Training Initiative for the Island Caribbean, which began in late FY 1986 and will provide training to an estimated 1,500 students. The third component, the Andean Peace Scholarship Program, will support training for 1,700 students beginning in FY 1987.

THE CENTRAL AMERICA INITIATIVE (CAI)

A.I.D. has just submitted to the Congress a report on the progress we have made in implementing the recommendations of the NBCCA. As requested by the Congress, the report also describes the Administration's plan for fully funding these recommendations.

As that analysis concludes, progress to date has been particularly encouraging in the area of democratization:

-- In Guatemala and El Salvador the number of deaths and disappearances has been reduced drastically, and military attitudes toward human rights have improved significantly.

-- A.I.D. has been supporting a variety of training and technical assistance programs for members of the executive, legislative and judicial branches of government.

-- Through FY 1986 nearly 3,500 persons had initiated training in the United States under the Central America Peace Scholarships program, exceeding the planned figure by 22%.

In the area of economic stabilization, improvement is evident in several key indicators. Between 1983 and 1986:

-- the real GDP growth rate improved from -0.8% to 1.4%;

-- a net private capital outflow of $101 million was converted to a net inflow of $215 million; and

-- government fiscal deficits were reduced from 5.1% of GDP to 2.8%.

Nevertheless, the pace of economic recovery is slower than the 2.5%-3.0% real GDP growth rate we had expected by 1986. As I noted earlier, the regional political/military climate is still unsettled, and external economic conditions are not as favorable as anticipated by the NBCCA. Commodity prices remain low, world trade is growing slowly, and public and private capital inflows are below expectations. In addition, most governments have not moved far enough in making key policy changes, such as reducing fiscal deficits and realigning exchange rates.

In the area of establishing a foundation for rapid and sustained long-term growth:

-- The ratio of private investment to GDP, which had fallen from 16.1% in 1980 to 8.9% in 1983, recovered to 11.4% in 1986. This recovery, while encouraging, is slower than expected. Nevertheless, one country -- Costa Rica -- has fully recovered its 1980 private investment/GDP ratio.

-- Nontraditional exports to destinations outside of Central America rose by an encouraging 15% between 1983 and 1986. A.I.D. programs facilitated this growth in a variety of ways.

Progress has also been made in spreading the benefits of economic growth:

-- The infant mortality rate has declined from 61/1,000 in 1983 to an estimated 57/1,000 in 1986.

-- Primary school enrollments have increased; excluding El Salvador, for which data are not available, the primary school completion rate rose from 72% in 1983 to an estimated 75% in 1986.

-- The average number of student-years needed to produce a 6th-grade graduate has dropped since 1980 by one year in Guatemala and by 1.6 years in Honduras.

-- A.I.D. has supported training for 16,000 teachers in Guatemala and Honduras over the last four years; our plans call for training an additional 50,000 in the region during 1987-90.

-- The percentage of couples using family planning has risen from 37.5% in 1983 to an estimated 41.7% in 1986.

Although progress under the CAI has been encouraging in many areas, we are nonetheless behind schedule in meeting those goals and objectives of the NBCCA which relate to economic recovery. The reasons have been described above. They include overall U.S. budgetary restrictions -- particularly earmarks for other parts of the world in combination with budget reduction legislation -- which have affected the levels of assistance the U.S. Government (USG) has been able to provide to Central America. The cumulative shortfall from the economic assistance levels recommended by the NBCCA will exceed $1 billion by the end of FY 1987 unless the requested $300 million in additional assistance is approved. We believe such a shortfall would seriously jeopardize U.S. interests in Central America. That is why, as I shall indicate below, A.I.D. is making a request for additional FY 1987 assistance. We are also recommending that the CAI implementation period be extended for three years, through FY 1992. To substantially achieve the goals and objectives of the NBCCA over this somewhat longer period, we estimate that a cumulative total of $6.9 million in U.S. appropriated funds will be required, $500 million more than the original CAI request.

The reasons for requesting this stretch-out of the CAI period are explained in detail in the assessment we have just provided to the

Congress. I think it is important to stress that our review of progress to date has confirmed the NBCCA-CAI strategy as a sound approach to the problems of Central America and to the protection of U.S. interests in the region. Slower-than-expected progress is attributable mainly to external economic conditions, regional political/military conditions that have been less favorable than had been assumed, and funding reductions.

Further and more rapid progress is contingent upon a continued partnership among the Congress, the Administration, and the Central American democracies, with the Central American countries summoning the political will to make the necessary political and economic reforms and the United States maintaining adequate levels of financial and technical support.

In summary, we are encouraged by the progress to date. We are convinced that the key NBCCA recommendations and the CAI strategy remain a sound approach to Central America's needs. Continued effort is needed, however, to demonstrate our commitment and to give the Central Americans the confidence and courage to take measures needed to establish a firm foundation for sustained economic growth and a much broader distribution of the benefits of that growth.

THE CARIBBEAN

The United States has strong national interests in promoting political stability as well as strengthening democratic institutions and respect for human rights throughout the Caribbean. Events in Grenada in the late 1970s and early 1980s make clear how important our interests are in this part of the Hemisphere.

All of the A.I.D.-assisted countries in the Caribbean but Haiti are functioning democracies. Haiti, the poorest country in the Western Hemisphere, is now in the midst of a difficult transition from dictatorship to democracy. We must do all that we can to ensure that this transition leads to the establishment of democratic institutions and traditions in that beleaguered country.

The Caribbean, like Central America, is still adjusting to weak demand for many of its traditional exports and a reduction in intra-regional trade. Several countries have been hit very hard by our reduction in sugar quotas, and Jamaica continues to suffer from depressed conditions in the world market for bauxite/alumina, which accounted for 54% of its merchandise exports in 1985.

Although some economic adjustment measures have already been adopted, major additional reforms are needed. Since all Caribbean markets are small, economic growth will depend to a great extent on increased export earnings, particularly to markets outside the region. Progress in export diversification has been encouraging -- especially for Haiti, Jamaica, and the Dominican Republic -- due in large measure to the trade benefits of the Caribbean Basin Initiative (CBI). However, because of unfavorable developments in traditional commodity markets, particularly bauxite and sugar, sales of these products have dropped and overall export levels have slipped.

The Caribbean countries have good prospects for economic growth if sound macroeconomic policies are maintained and expanded and adequate external financial assistance is available. The transitional government in Haiti has undertaken a far-reaching program of economic policy reforms which should have a significant positive impact if it can be sustained. The countries of the Eastern Caribbean have begun a structural adjustment process with assistance from A.I.D., the World Bank, and other donors.

Severe balance-of-payments problems need to be overcome in Jamaica and the Dominican Republic, which have heavy foreign debt service burdens.

The positive results of A.I.D.-supported economic policy reforms in the Caribbean are encouraging. The Dominican Republic has set a realistic exchange rate, responsive to supply and demand, which has stabilized its currency at a level conducive to export competitiveness. The public sector deficit has been cut sharply and, not coincidentally, the inflation rate has fallen. In Jamaica, inflation has also fallen and positive real interest rates have encouraged more efficient resource allocation. However, high public sector deficits and a controlled exchange rate continue to inhibit full economic recovery. Haiti has acted boldly and effectively, with tax reform, improved revenue performance, and expenditure controls. The public sector deficit has dropped sharply even as investment in development programs is being increased. Several costly state monopolies have been dismantled, and low import tariffs are replacing import quotas and other such protectionist measures. With U.S. support, 1988 could be a year of strong economic recovery and growth in the Caribbean if traditional commodity prices are relatively favorable.

Haiti, one of the poorest countries in the world, is a special case within the Caribbean. The annual per capita income is only $320, and for approximately 80% of Haitians the average is below $150. Therefore, in addition to assistance for broad economic problems, A.I.D.'s program in Haiti includes major support for domestic food crop production and for investments in education, health, child survival, and population planning. These sectors, while an important component of our program in the other Caribbean countries, do not receive the same levels of A.I.D. funding in those countries as in Haiti.

A.I.D. has played a major role in initiating long-term soil conservation and reforestation programs in Haiti to halt and reverse the distressing deterioration that has occurred over many years in the country's natural resource base. A.I.D. has worked closely with a number of private and voluntary organizations in implementing these programs. Many years will be required to provide sufficient restoration of the country's resource base.

SOUTH AMERICA

Important U.S. interests as well as many South American lives are at risk in the Andes. The rise of terrorism in Peru and to a lesser extent in Ecuador threatens these fragile democracies. Throughout the region armed narcotics traffickers have the potential to undermine legitimate authority through their control of remote territory, their growing involvement in the formal economy, and their increasing ties to insurgent organizations. In fact, traffickers in Bolivia pose a serious challenge to the continued independence and integrity of the government. There is a growing awareness of the impact of addiction on young people in the Andean countries and of the despoiling of the land through coca cultivation. This is a problem generated largely by U.S. demand for cocaine, and unless we join in helping the Andean leaders meet this threat, we will be failing them and contributing to the availability of a drug that is ruining the lives of many men and women in the United States.

The short-term outlook for all three countries is worrisome without substantial external assistance. The inability of the governments to cope with these menaces could bring a return of anti-democratic, authoritarian rule. In the most extreme case of Peru, Soviet penetration, combined with violent and deadly leftist extremism, could lead to a shift in Peru's traditionally pro-western orientation and imperil U.S. strategic interests.

All three countries suffered serious economic downturns in the early 1980s as a result of (a) weakened demand for primary mineral and agricultural exports, (b) devastating floods and drought, (c) rising interest rates on their external debt, and (d) inappropriate economic policies. By 1985 per capita income in Peru and Bolivia had fallen to the levels of the 1960s.

Extreme poverty is pervasive throughout the Andean region. Per capita GDP in Bolivia is barely $500 per year, and skewed income distribution is a major problem in Ecuador and Peru. The provision of health services has not kept up with a population increasing at an annual rate of over 2.5%. The infant mortality rate in Bolivia exceeds 120 per 1000 and may be as high as 200 per 1000. Each of the three countries needs to accelerate its efforts to provide basic immunization and other preventive services to reduce high rate of infant mortality. Malnutrition and hunger are also continuing problems. Illiteracy remains high, and declining government revenues in all three countries make it more difficult for them to address this fundamental development problem.

The responses to these economic challenges have varied. Bolivia has implemented a courageous, far-reaching reform program which has throttled inflation and stabilized the exchange rate; but short-term prospects are not favorable without continued outside help. The market-oriented, private-sector approach of the Ecuadorian Government has helped offset declining revenues, caused by a major drop in oil prices, by cutting public sector programs and subsidies. But the drop in export income has severely damaged the country's medium-term growth prospects. Although the Peruvian economy grew at an estimated rate of 8.5% in 1986, the country has failed to adjust to significant changes in international economic relationships and has allowed the arrears on much of its external debt to increase. Major reforms are still required to provide a foundation for sustained economic growth over the long term. Export diversification is needed in all three countries to provide foreign exchange to finance productive imports and to service the external debt.

U.S. support for continued economic policy reforms, for programs to alleviate the region's serious poverty problems, and for the encouragement of democratic institutions helps reduce the potential for popular unrest and a return to non-democratic military governments which, until recently, were predominant in these countries.

Our development programs in Bolivia, Peru, and Ecuador emphasize increasing the efficiency and productivity of small and medium-size commercial farmers, wider coverage of immunization and oral rehydration therapy services, increased access to potable water, and expanded training opportunities through a new Andean Peace Scholarships initiative.

COMBATTING NARCOTICS PRODUCTION AND TRAFFICKING

A.I.D works closely with other U.S. agencies to help eliminate the flow of drugs to the United States from the Latin American region. Our efforts are carried out primarily through two types of programs. First, we are helping to build a greater public understanding and concern about the harmful effects of drug production and trafficking on social values and economic structures in producing and transit countries. We believe that an understanding of the permanent damage to the land from coca cultivation will soon be added to these concerns. This awareness is resulting in stronger support for enforcement and interdiction programs, and increased cooperation with U.S. control efforts. In Peru, for example, a private organization recently formed with the participation of a nonpartisan group of the country's leaders has already carried out a series of public awareness activities affecting over a half million people.

The second area of A.I.D. involvement in narcotics control is in helping to develop alternative income and employment opportunities for people no longer involved in narcotics production, and in helping to improve rural conditions where licit crops are grown. These

A.I.D.-supported programs do not yet provide sufficient incentive to persuade most coca growers to shift to other crops. But once sustained interdiction drops the price farmers are paid for coca to less than the costs of growing and marketing, they should provide a safety net for farmers making the transition to legal activities. A major program is now going forward in Peru to bring wells, potable water, marketing infrastructure, new crop technology, and roads to areas once isolated from government control and dedicated to coca production. We hope to move forward soon on a program in Bolivia to provide farmers with resources needed to move into legal occupations after eradicating their coca crops.

MANAGEMENT IMPROVEMENTS

In previous testimony before the Congress, I have placed a great deal of emphasis upon my commitment to improving the management of A.I.D.'s program. I consider the improvement in this area to be one of the significant accomplishments of the past year. I would like to report to you now what we have accomplished in the LAC Bureau in the way of management improvements, and also several management problems.

1. Management by Objectives (MBO). A year ago an MBO system was established in the LAC Bureau to implement the A.I.D. Administrator's recommendations for management improvements. The key tool for implementing the MBO system is the annual Action Plan prepared by each A.I.D. Mission, which translates country strategy into operational policies and programs and establishes country-level targets against which we can assess progress.

2. Delegation of Authority to the Field. Greater project approval authority has been given to field missions in order to improve program implementation and encourage initiative and accountability on the part of

field managers as well as free Washington staff to devote more time to headquarters responsibilities of policy formulation and program oversight. Within the approved country strategy and program, approval authority was delegated to the field in FY 1986 for 32 of 39 new projects (82%). Authority has already been delegated to the field for two-thirds of our project starts planned for FY 1987.

3. Portfolio Management. Our performance in implementing ongoing projects in the LAC region improved markedly in FY 1986. The project portfolio liquidation rate increased from 37.3% in FY 1985 to 45.8% in FY 1986, the highest rate A.I.D. has achieved in the region during the past 13 years. At the end of FY 1986, the project assistance pipeline was lower than it had been a year earlier.

4. Management Information System (MIS). A major effort is under way to provide a systematic flow of information from field missions to top management in A.I.D./Washington, although progress has been slower than expected. An improved system of information flows is being developed now that field Missions have been given more operational responsibility, have less contact with Washington on project preparation and approval, and are devoting more time to program and project monitoring and accountability. This will establish a consolidated MIS which provides A.I.D.'s Washington offices data that satisfy management needs.

5. Reducing Project Costs. This Bureau has taken a series of steps to control the costs of LAC training programs. A new system, involving a Work Breakdown Structure (WBS), was developed jointly by the Bureau and the S&T Office of International Training. It is being implemented by LAC missions to facilitate procurement actions by enabling proposal evaluation committees to cut costs through increased vendor competition. It also requires Missions to think through more carefully just what is needed rather than relying heavily on the needs as described by vendor

proposals. The computerized WBS reporting format shows contract expenditures on an exception basis (i.e., it highlights elements which exceed projected costs) and greatly simplifies the project manager's task of assuring that implementation is on schedule and within the contract budget. In addition to the WBS the Bureau has prepared a directory that lists universities, private firms, and other training sources willing to negotiate program costs with A.I.D.; promoted cost-sharing arrangements with U.S. universities; and assisted in promoting training legislation in the United States aimed at cost containment.

Cost containment measures are also being introduced for health programs, although these efforts are not as far along as those for training cost containment. Guidelines are being established for identifying more clearly and completely the various costs associated with technical assistance contracts, so that proposals can be evaluated more easily for cost effectiveness. In addition, guidelines are being prepared for managing pharmaceutical procurement, so that managers become more familiar with alternative procurement mechanisms and quality control issues, thus making it easier to assure that unit costs are minimized.

Despite some important gains, I am not fully satisfied with our overall progress in strengthening management. We continue to be handicapped by a shortage of highly qualified people in the controller and procurement areas, and we have found it difficult to adequately address some major managerial shortcomings. The number of externally imposed procedures and requirements also creates a difficult workload for the limited number of U.S. direct hire staff overseas, and host country national and contract personnel are not always in a position to provide the managerial strength in areas in which mission directors need help.

Some months ago the Administrator and I concluded we needed a high-level, broad-gauged management person in the LAC Bureau to assist my Deputy and me in strengthening Bureau management initiatives. Thus far, we have been unable to fill this important post.

ADDITIONAL FY 1987 ASSISTANCE REQUEST

The Congress in October 1986 approved the transfer of three hundred million dollars in unobligated funds for economic assistance to the Central American democracies. The Foreign Assistance Appropriations Act mandated that the three hundred million dollars be regarded as part of the specified (and very limited) FY 1987 worldwide total for economic support fund assistance, thus precluding us from considering this sum as additional assistance. As a practical result there could be no increased aid for Central America.

As part of the plan for fully funding the recommendations of the National Bipartisan Commission, the President has requested additional FY 1987 appropriations of $300 million in ESF resources for four Central American democracies (Costa Rica, El Salvador, Guatemala, and Honduras). This assistance is urgently required to help meet the great economic and social needs of the struggling democratic governments of the region.

The requirement for this additional assistance for Central America has become even more pressing as a result of the earthquake in El Salvador and the sharp decline in coffee prices which could result in a $400 million loss in export earnings for Central America in 1987 compared to 1986.

Another $10 million in additional ESF resources is requested to support development activities related to narcotics control in the region, primarily in Bolivia, which is taking courageous actions to curtail narcotics trafficking.

FY 1988 PROGRAM SUMMARY

In recognition of the necessity for budget austerity, we have sharply pared our request for Fiscal Year 1988. This budget is twenty percent below our request for Latin America and the Caribbean in FY 1987. A.I.D. is requesting economic assistance totalling $1,324.1 million for the Latin American and Caribbean region as a whole, including:

-- $700.0 million in Economic Support Funds;
-- $401.5 million in Development Assistance; and
-- $222.6 million in P.L.-480 commodities.

By sub-region, the breakdown is:

-- Central America:	$826.6 million;
-- The Caribbean:	$307.7 million;
-- South America:	$157.9 million; and
-- Regional Programs:	$ 32.0 million.

To maintain progress toward NBCCA goals in Central America, we are requesting $502 million in Economic Support Funds, $230.1 million in Development Assistance and $94 million in PL 480 commodities. For DA and PL 480, we are requesting less than our FY 1987 estimated level. For ESF, the request is $87 million more than current FY 1987 funding, but $113 million less than the level including the supplemental request. I would also add that our request for the region is substantially below the FY 1988 authorization level. The ESF levels requested for Costa Rica, El Salvador, Guatemala, Honduras and Panama are needed to cushion the effects of stabilization, and to support policy reforms essential to lay the basis for sustained longer-term growth. Local currency generated from Economic Support Funds and PL 480 Title I sales will support programs in small-farmer agriculture, land reform, education, health, and other areas that spread the benefits of this growth. We are proposing to continue the EXIM-administered Trade Credit Insurance Program at $200 million.

For the Caribbean we are requesting $135 million in Economic Support Funds, $91.6 million of DA and $81.1 million in PL 480 commodities. Again, the DA and PL 480 requests are below the FY 1987 estimated level; for ESF, we request an increase of $41.6 million over FY 1987. Haiti, which is in a critical stage in its political and economic transition, will receive 28.5 % of all economic assistance proposed for the Caribbean. The Dominican Republic and Jamaica are suffering sharp ESF cuts in FY 1987 as a result of the combination of budget reductions and earmarks for other programs. We propose partially to restore ESF levels in these two countries for FY 1988, although in both cases they remain below the FY 1986 ESF levels.

For South America, we are requesting $57 million in ESF, $53.8 million in DA and $47.1 million in PL 480 commodities. The most significant change we are proposing is an increase in ESF to $30 million for Bolivia, which has been cooperating closely with the United States on narcotics control and has undertaken difficult economic reforms.

This proposed budget does not contain any significant new initiatives. I believe that the course we have followed over the past several years continues to be responsive to the needs of the region and to our mandate from Congress. I should, however, bring to your attention a shift in emphasis that is beginning to be felt in our program, consistent with the phasing of our approach to the region's deep economic and social problems. Over the past several years, we have placed heaviest emphasis on economic stabilization and creation of the underlying conditions for satisfactory economic growth. Much of this groundwork has now been laid, and the focus of our efforts is moving increasingly toward assuring that growth can be both self-sustaining and of direct benefit to the poorest groups. Thus, we will be more concerned with sectoral issues in education, health, and agriculture to assure that the patterns of investment and growth are those that most widely distribute the benefits to society.

Given the economic and political conditions internal and external to the LAC region, which I described earlier in this presentation, levels of ESF assistance must remain high in FY 1988 to permit acceptable progress toward accomplishing our goals of economic stabilization, policy reforms leading to rapid and sustained long-term growth, a wider sharing of the benefits of growth, and the continued strengthening of democratic institutions and traditions. We will also need adequate funding in the Section 106 account to support our strategy of strengthening the private sector, which we believe is essential for the region's economic recovery and for providing the jobs which are critical for enabling families to meet their basic needs of food, health, and shelter. I would like to say, too, that our ability to accomplish our goals would be made easier by a reduction in Congressional earmarks.

CLOSING REMARKS

In conclusion, Mr. Chairman, U.S. economic assistance has played a major role in helping to halt a sharp decline in economic activity in LAC countries, and get a broad-based economic recovery under way. The economic revival and the additional jobs it has provided have created an environment in which democratic institutions can take root in a number of countries where this has not been possible for many years. Failure to stay the course invites economic crises, greater violence and further loss of U.S. exports and jobs.

Thank you.

PREPARED STATEMENT OF DEBORAH SZEKELY

Mr. Chairman, I am honored to appear before this distinguished Committee to tell you about the work of the Inter-American Foundation, and to answer your questions. I hope you will have many, because I am delighted to talk about the fine--often fantastic--work of the Foundation. I consider it my great good fortune to have become involved with this public program, which is so very special and important.

The Foundation is special because it demonstrates that productive people form the essential nucleus around which solutions to poverty and underdevelopment can be found. Thus, we work directly with the very people in Latin America and the Caribbean who are most in need. The Foundation is also special because it responds to, supports, and encourages their own initiatives.

Congress has encouraged the Foundation to be innovative, to take risks. Because we are small, lithe and light, we can and do give rapid support to a wide array of creative ideas. And because there is so much to be done, we try to learn quickly and share what we have discovered and documented with the widest possible audience.

You have before you our request for Fiscal Year 1988: $11.3 million. The Foundation will also have available $15.7 million in a number of local currencies from the Social Progress Trust Fund (SPTF). The Foundation's total projected operating budget is $27 million, of which $22 million will be used for program purposes.

The program consists of direct grants to Latin American and Caribbean local development projects as well as learning and dissemination activities. Assuming an average grant size of about $60,000, funding during fiscal year 1988 will be provided to some 300 organizations.

Private Development

Two and one-half years ago, I came to the Foundation as its President. Although I knew little about the Foundation, I did know something about local development in Latin America. I had started my business in Tecate, Mexico in 1940. Tecate was then scarcely a village. We dug our own wells, grew our own vegetables, raised and milked our own goats. I worked with and trained hundreds of Mexican friends, most of them straight off the farm, and helped three generations develop skills, and start their own businesses. I saw--and encouraged--the educational leap from practically no schooling of one generation to college education of grandchildren. Gradually, Tecate turned into a thriving, modern town.

My experience has been very special, and specific. Since I joined the Foundation, I have discovered whole galaxies of local self-help efforts throughout Latin America and the Caribbean, many similar to my experiences in Tecate. Everywhere there has been a burgeoning surge of private citizens' groups organizing their own development projects. In the last year, I saw some of this vast movement during my field visits to Mexico, El Salvador, Costa Rica, Panama, Ecuador, Peru, Chile, Argentina, Uruguay, and Brazil. I am told that in the 16 years since the Foundation came into existence, the estimated number of private development organizations in the region has increased from 250 to 4,000.

There is a mushrooming trend for poor people to begin to tackle their distressful conditions on their own, not to wait for or to rely solely on their governments to do something for them. Why? I am not entirely certain, by any means. However, these people share some common characteristics: a sense of hope and urgency about improving their living conditions and a growing confidence in doing for themselves. This trend is hastened, I think, by severe economic problems in many of the countries and the inability of governments to maintain past programs as their budgets shrink.

My feelings were reinforced last fall when I visited some 31 European funding organizations and found broad agreement about the importance of private development efforts in the Third World, about supporting projects as close to the grassroots as possible, and about supporting them on a partnership basis.

The Foundation's Role--and Impact

In past years, when the President of the Inter-American Foundation has appeared before this Committee, much of the testimony has been taken up with describing a few of the most worthwhile projects of the previous year. I would rather use this opportunity to talk about the broader meaning of the Foundation's work. Thus, I refer you to the Foundation's FY 1988 budget presentation materials which describe the Foundation's program and every grant.

What is the Foundation's role in the universe of private development in the Western Hemisphere? In a nutshell, it is one, modest helping hand. Foundation grants together with the resources of local private organizations benefit poor people with scarce opportunities who are actively trying to better their lives. Over the past 16 years, the Foundation has supported approximately 2,300 projects carried out by over 1,700 local private organizations throughout the hemisphere.

During fiscal year 1986, the Foundation approved 251 grants, with an average value of $65,000 per grant and duration of two years. These grants were used to provide employment opportunities for the poor in the manufacturing and service sectors and for making small loans in the so-called informal sector - the free market of tiny businesses that sustain the majority of the people of the Latin America and the Caribbean. The Foundation also provided assistance to improve livestock, purchase seed for small-scale farmers, and create adult education programs. Foundation-supported projects often included some form of leadership or business training coordinated and managed by the grant recipient.

Most importantly, the Foundation used its resources to encourage the private sector in Latin America and the Caribbean to work with those indigenous non-profit organizations which are dedicated to improving their own societies. The projects represent their energy, thought, and money which, on a one-to-one basis, quite often matched or exceeded the Foundation's financial contributions.

These private development groups are the dynamic partners of the Inter-American Foundation. Their growing size, strength and interconnected operations, all of which stress the democratic participation of the poor in their own development, are a testament to the validity of the Foundation's approach. "Self-help", working at the "grassroots", finding solutions from the "bottom-up" are no longer just trendy notions. They are proven methods that work, time and again, from one setting to another. We know this to be true from sixteen years of experience working throughout Latin America and the Caribbean.

Yet, the more I learn about these self-help efforts, the more uneasy I am to seek simple answers that offer cut-and-dried statistics. Undoubtedly, we have added to the vigor and reach of these 1,700 organizations, in their capacity to better the lot of the poor. But organizational growth takes place in many different ways. In some cases, organizations will experience simple, straightforward expansion. In other cases, an organization will remain constant in size, but some of its key people will leave to create new organizations. Sometimes, the mere existence of an organization will serve as an example for others to form similar ones.

So rather than offer you statistics, let it be said that the Inter-American Foundation has played a constructive role in providing key resources -- seed capital -- at critical times to groups, families, and individuals so that they could handle their own affairs better, when previously they had little opportunity or ability to do so.

Viewed from these perspectives, it seems to me highly valuable for a U.S. government agency to support the growth of a private development phenomenon in Latin America and the Caribbean that encourages self-help and citizen initiative. The participating organizations serve as the only bridges--ladders of communication--between the people in the villages and the barrios and their governments. They are also models for the proliferation of small, democratically-run groups throughout the fabric of societies that are moving beyond a past marked by considerable reliance on a central state.

The FY 1988 Program

The Foundation is planning a program based on budget authority of $11.3 million for 1988, with 67 full-time equivalent (FTE) personnel. The budget also assumes $15.7 million from SPTF resources.

The highlights of the program are extensions and reinforcements of trends already afoot in the Foundation's activities and priorities:

-- We will work to generate useful information on Foundation supported projects and groups as a resource in addition to program funds. By FY 1988, studies shall have been completed on the following themes: the characteristics of successful intermediary service organizations and of grassroots groups; artisanal fishing; women heads-of-household; the handicapped in development; and shifting patterns of rural migration. In FY 1988, attention shall then be given to the following subjects: the changing structure of rural employment, including that for urban-based people; the changing role of churches in development programs; the convergence of the business sector and international funders in supporting micro-enterprise programs; and environmental concerns in grassroots development. We will continue to make these finding known through the Foundation's quarterly journal, Grassroots Development, videos, monographs, and seminars. The fellowship program will continue to give preference to candidates whose research is in these areas.

-- Priority will continue to be placed on projects that offer self-employment, income, and practical skills, especially in urban and off-farm areas.

-- The Foundation's in-country services systems (ICS) shall have been consolidated in at least 18 countries. During FY 1988, the ICS systems should help to increase the chances of project success especially among small, new, and inexperienced groups. Through these systems, local consultants will: 1) monitor projects quarterly and submit short reports on progress and problems so that lessons may be better derived from our project experience, and 2) provide timely technical assistance to grantees.

-- Flexible funding mechanisms shall be implemented widely including: 1) cooperative agreements with local service institutions whereby small amounts (no more than $5,000) can be made available to start-up groups; 2) "partnership grants" to share administrative costs with worthy organizations that need a longer period of support to achieve financial stability; and 3) capitalizing loan funds administered by local service institutions and private credit institutions.

Conclusion

I wish you could travel with me to see what the Foundation is doing to help people in the slums of Bogota, the backlands of Northeast Brazil, in the fishing villages of Costa Rica, and in the mountain hamlets of Haiti. Your support has made it possible for the Foundation to reach those places and help those people, to create hope where once there was only despair, and to encourage their will and self-esteem which are essential for lasting development.

Sixteen years work - $230 million spent - 2300 projects supported. It doesn't seem like much when one considers the level of need but for the three million people reached by the Inter-American Foundation, we did indeed make a lasting difference.

Mr. Chairman, I thank you for this opportunity to speak to the Members of this distinguished Committee. I will be happy to answer your questions.

PREPARED STATEMENT OF SENATOR LOWELL WEICKER, JR.

MR. CHAIRMAN, LAST MONTH, SENATOR KENNEDY AND I INTRODUCED LEGISLATION THAT WOULD TAKE ANOTHER STEP IN STRENGTHENING SOUTHERN AFRICA AND ABOLISHING APARTHEID. LAST YEAR CONGRESS PASSED THE ANTI-APARTHEID ACT--A NEW U.S. FOREIGN POLICY TOWARDS SOUTH AFRICA. THAT WAS A CRITICAL STEP.

BUT AS IN ANY SERIOUS ENDEAVOR, IT'S THE FOLLOW-THROUGH THAT COUNTS, AND THE SOUTHERN AFRICA DEVELOPMENT INITIATIVE IS THAT FOLLOW-THROUGH. THIS LEGISLATION WOULD STRENGTHEN THE "FRONT-LINE" STATES THAT HAVE A CRITICAL ECONOMIC DEPENDENCY ON THE GOVERNMENT OF SOUTH AFRICA. BECAUSE OF SOUTH AFRICA'S

PRIMACY, THESE NINE COUNTRIES DEPEND ON THE APARTHEID REGIME FOR TRANSPORTATION, ENERGY, COMMUNICATIONS, AND AN ARRAY OF PRIVATE SECTOR ACTIVITIES THAT ARE ESSENTIAL TO THESE NATIONS. IN OTHER WORDS, SOUTH AFRICA CAN HOLD THESE NATIONS HOSTAGE THROUGH ECONOMIC BLACKMAIL. AT THE SAME TIME, HOWEVER, THEY ARE BEING THREATENED MILITARILY BY SOUTH AFRICAN-BACKED INSURGENCIES. THESE SECURITY NEEDS MUST BE MET AS WELL IN ORDER TO FREE THE "FRONT-LINE" STATES TO DEVELOP. THESE SECURITY NEEDS TRANSLATED INTO A $10 BILLION DRAIN ON THEIR ECONOMIES BETWEEN 1980 AND 1984.

THE SOUTHERN AFRICAN DEVELOPMENT COORDINATION CONFERENCE IS WORKING TO DO JUST THIS. U.S. PARTICIPATION IS A WAY OF BOOSTING DEMOCRACY AND CONTINUING THE STRUGGLE AGAINST APARTHEID.

THERE ARE SMALL BUT ENCOURAGING SIGNS THAT IMPATIENCE WITH APARTHEID IS GROWING WITHIN SOUTH AFRICA. I HAVE FOLLOWED WITH INTEREST THE NEWS OF A GROWING NUMBER OF MEMBERS OF THE NATIONAL PARTY WHO ARE DISILLUSIONED WITH THE SLOW PACE IN REFORMING APARTHEID. THIS DISSATISFACTION IS LEADING TO DEFECTIONS AND THE DEFECTIONS MAY CRESCENDO TO AN ELECTORAL REALIGNMENT IN THE FUTURE. ANOTHER POTENTIAL OPENING COMES IN THE FORM OF THE SOUTH AFRICA'S SUPREME COURT RULING THAT AN ADVERTISEMENT PROTESTING THE DETENTION OF 25,000 PEOPLE WITHOUGH TRIAL DID NOT VIOLATE THAT COUNTRY'S EMERGENCY CENSORSHIP LAWS.

CONGRESS MUST SEIZE THE OPPORTUNITIES BOTH WITHIN SOUTH AFRICA AND OUTSIDE OF SOUTH AFRICA. WE MUST SHOW OUR READINESS TO FOLLOW-THROUGH ON THE PROMISES AND POSSIBILITIES OF THE ANTI-APARTHEID ACT.

MR. CHAIRMAN, I KNOW YOUR STRONG SENTIMENTS ON THIS ISSUE AND I APPRECIATE YOUR GIVING ME THE OPPORTUNITY TO TESTIFY.

PREPARED STATEMENT OF LAWRENCE SAIERS

A.I.D. Strategy in Africa

Background

It has been five years since I first testified before this Committee. At that time,

- -- only one or two countries in Sub-Sahara Africa had food supluses;
- -- the process of policy dialogue and economic reform was just beginning with the Africans;
- -- there was little-~~evidence~~ence of progress in addressing population issues; and,
- -- there was only limited evidence of progress in addressing Africa's severe infant mortality.

In addition, to these seemingly intractable development issues, Africa was on the verge of the worst drought in recorded history.

During the intervening years we have all witnessed the devastating drought that descended on Africa. You are aware of the sizeable and remarkably sucessful efforts that have gone into moving millions of tons of food to the continent and organizing massive recovery efforts. I believe we can all be proud of America's response to this catastrophe. Many lives were saved.

It is important to look back over the last five to six years at development achievements that have been over shadowed by the drought. Over this period A.I.D. has supported some significant pioneering efforts which are already impacting measurably on the long-term development of the continent.

First, we have given priority attention to Africa's critical need for new agricultural technology. We have refined our agricultural research activities by giving more attention to farming systems research and the role of small farmers, most of whom are women. In the proce~~ss~~ we have helped develop new varieties of crops important to increased agricultural production, again with emphasis on small farmer's crops.

As noted later in this statement we have also broadened the base of our natural resources activities through a number of forestry and energy activities. More detail on this new agricultural research thrust is embodied in the Agricultural Research Strategy Paper - provided to this committee. We are now two years into implementation with good progress in reshaping our bilateral agricultural research activities. We have worked closely with BIFAD in this effort.

The new Agricultural Research Strategy has also served as a basic conceptual document for the creation of a new multilateral Special Program for Agricultural Research (SPAR). SPAR is chaired by the bilateral donors and hosted by the IBRD. The Africans are active participants in this effort.

Second, we have supported the adoption of a number of new economic policies in several nations especially through our ESF funded African Economic Policy Reform Program (AEPRP). Many countries have begun to reverse a post independence trend which concentrated economic contro~~l in~~ the hands of central governments.

There have been a number of favorable outcomes from the reform efforts such as increasing progress in privitization continent-wide; higher levels of agricultural output; larger incomes for small farmers; export growth and the reduction of balance of payments deficits; improvements in resource allocation; and, greater opportunities for investment and employment in the private sector.

In the process, we have endeavored to strike a balance between policy reform dialogues which seek to remove constraints to economic development, while at the same time programming project assistance to overcome impediments to development caused by nature, historically low levels of technology, and the lack of education and infrastructure. We have found that there are direct interrelationships between project activities and the reform agendas themselves which are mutually reinforcing.

We are convinced that these programs are improving the prospects for the rural poor in Africa - particularly farming women.

In the Human Resources field, as you will see later, there have been significant accomplishments. In certain countries contraceptive prevalence rates have increased and A.I.D.'s largest child survival project has been mounted in Africa. We have just approved a new comprehensive Natural Resources Plan which I would like to submit for the record today.

As positive as these achievements are, we can and will do better. One of our principal motives in preposing new legislation, the Development Fund for Africa, is to consolidate these various initiatives of the last several years into a new, coherent legislative framework. This will enable us to be more responsive to Africa's requirements in the years ahead.

In addition, I want to touch on two particularly key areas in our African development strategy: economic restructuring, and basic human needs.

We believe that a fundamental change in the economic structure of Sub-Saharan African nations is not only essential, but a basic sine qua non without which positive growth and development of any kind cannot occur in Africa. We believe that the kinds of improvements in health status, education, and social reform that will contribute to growth with equity and a better quality of life must ~~be ac~~companied with economic reform.

We are not alone in our beliefs. African governments also speak with a unified voice with regard to the need to bring about fundamental restructuring of their economies and institutional systems if they are to restore balance in their external accounts, public finances, domestic markets, and in the roles of the state and the private sector.

Furthermore, the combination of population growth, drought effects of environmental degradation, and urban migration have accelerated the urgency of supporting effective developmental programs using all the project and non-project instruments at our disposal.

Where Are We Now?

For the past two years, Sub-Saharan Africa has experienced record crops. The total cereal production in the 1984/85 crop year was 41 million metric tons. For the past two years, it has been 54 million and 56 million metric tons respectively. It is an almost unprecedented turnaround. This is not due only to a change in the weather but a change in policies which have helped to modify the direction of free markets.

However, the amounts of cereals available per person are still declining because of population growth.

At some time, possibly in the near future, Sub-Saharan Africa will not be able to meet its own food needs unless it is able to provide the economic environment and technology necessary to stimulate agricultural production, as well as curtail runaway population growth.

African Development Progress

Over the past six years we have seen some remarkable progress in Sub-Saharan Africa.

As I mentioned a moment ago, since the nadir of late 1984, the world community has moved millions of tons of food and hundreds of millions of dollars in non-food assistance to Sub-Sahara Africa with the only negative impact being that this heroic effort has eclipsed the progress being achieved by many of our on-going efforts in Africa.

To begin with, the locust and grasshopper infestation, which was a potential disaster that was feared as possibly more damaging that the drought, was held in check by a coordinated team effort that rivaled the successes of our emergency feeding program. Over three million hectares of land were treated with pesticides and larvicides, crops that initially were written off as a lost cause were harvested with minimal damage, and most importantly, indigenous preventive and control institutions were strengthened throughout Africa.

Policy Reform

In Zambia, producer prices have been raised, fertilizer subsidies have been decreased and additional private competition has been encouraged. The initial result has been increased production by thousands of small holder farmers especially for women who make up the majority of the workers in the farming community.

In Guinea, we have sponsored reform measures to eliminate price controls and to move the marketing of agricultural inputs to the private sector thereby facilitating jobs in the support sectors of marketing, food maintenance, warehousing, loading, trucking, etc..

In Senegal, Zaire, Togo and Mauritius, trade reforms will result in increased availabilities of consumer and capital goods, as well as more competitive domestic products competing in foreign markets. What this means in Africa is that more and more women will be able to buy salt and soap and clothes for their children - the bare necessities.

Policy change is occuring throughout Africa and it is having a powerful influence on production. The most important change agents in this process have been the Africans themselves; and they have recently reconfirmed their commitment to economic growth through economic policy change during the last special UNGA Session. Ten years ago there was little or no economic change. Now it is a pervasive factor throughout the continent.

Population

With regard to population, there are some real success stories. In Zimbabwe and Botswana, prevelance of modern contraceptive use now exceeds 38 and 28 percent respectively and continues to increase. This means that 38 and 28 percent of the sexually active couples in reproductive ages are using modern methods of birth control. In order to understand the real impact of these figures one must look where we came from. In 1976 the prevalence rate in Zimbabwe was 5% and Botswana was 8%. Thus we have obtained more than a four fold increase in ten years.

Kenya is also a target program for our population activities and although our successes have not been as spectacular, they are very significant. In 1977 the prevalence rate was 7%. By 1984, it had grown to 17%.

Most importantly, many African nations are beginning to develop and promulgate strong national population policies. Liberia, Zaire, and Zambia are in the developmental stages and Nigeria, a country with over one quarter of Sub-Saharan Africa's population, is soon to launch a new innovative family planning program that will receive substantial support from A.I.D. as a nationwide multi-year effort.

Our population efforts in Sub-Saharan Africa over the past five years are worthy of special mention. We have committed an average of $61 million per year since 1983 with $24 million coming from bilateral funds and $37 million in central bureau funding. We have tripled our population and health staff during this period. As a result we have population activities in nearly every nation in the Sub-Sahara.

Bilateral:

Burkina Faso
Ghana
Kenya
Liberia
Malawi
Mali
Niger
Rwanda
Senegal
Somalia
Sudan
Zaire

Regionally Funded:

Benin
Botswana
Burundi
Cameroon
Cen. Afr. Rep.
Comoros
Congo
Ethiopia
Gambia
Guinea
Ivory Coast
Lesotho
Madagascar
Mauritania
Mauritius
Nigeria
Sierra Leone
Swaziland
Tanzania
Togo
Uganda
Zambia
Zimbabwe

A breakout of our population budget by year since 1983 is given below:

Population Budget (in thousands of dollars)

Account	1983	1984	1985	1986	1987	1988
D.A.*	15,114	17,214	26,586	41,469	20,431	22,185
Centrally Funded	30,000	29,000	42,500	49,000	35,000	34,000
Total:	45,114	46,214	69,086	90,469	55,431	56,185

*Includes Sahel for all years and $1.232 million of ESF in 1985

Health

We are currently exploring ways to support more health care provided through the private sector to ensure that services, once available, will continue to be affordable. An example of one such activity can be seen in Ghana where the manufacture and distribution of oral rehydration salts have been taken out of government and are now carried out in the private sector.

We have had a number of successful health projects that have improved the lives of thousands of Africans. In Malawi and Togo, we have expanded village water supplies.

In Malawi, a $6 million project has provided a half million people with access to clean water at a cost of only 12 dollars per beneficiary. Fifty thousand volunteer laborers in one area alone constructed a gravity fed system 22 miles away from their village to gain access to clean water without the need of costly treatment and pumping facilities.

In Togo, A.I.D. has funded a Rural Water project which provides 500 small bore wells and handpumps to approximately 200,000 rural beneficiaries. Three hundred fifty village health committees were created and trained to assume responsibility for the wells and carry out health education activities. Pump maintenance is assured by village-financed contracts with local bicycle repair shops.

Onchocerciasis Control Program

The Onchocerciasis Control Program, begun in 1975, is aimed at controlling the black fly that transmits river blindness. By the end of Phase III in 1991, about 1,300,000 square kilometers will have been covered, an area in which 21.5 million people live. According to current estimates, this translates to about 220,000 people saved from blindness.

Twenty donors are contributing to this $300 million effort. A.I.D. will provide $40 million of this total.

Child Survival

Although Liberia's economic problems are well publicized, impressive accomplishments in the health sector are not widely known. This past November the Liberian government successfully launched its second nation-wide immunization campaign.

With other donors, the Africa Bureau Child Survival Initiative (the regional Combatting Communicable Childhood Diseases project) helped the government prepare and carry out its vaccination campaigns. The A.I.D. project trained 900 clinic staff in 13 countries in vaccination techniques, logistics, and program management.

By the end of the second campaign, over 660,000 doses of vaccine had been administered and a fee-for-service system had been set up.

Other health sector accomplishments in Liberia include the adoption of a National Diarrheal Disease Control strategy and establishment of an oral rehydration therapy demonstration unit in Monrovia.

Since 1981, the regionally funded African Child Survival Initiative has been working in 13 countries and has immunized 8.3 million children against childhood diseases as well as two million women against tetanus.

We are currently increasing support for major child survival programs in Kenya, Niger, Sudan and Nigeria.

Acquired Immune Deficiency Syndrome (AIDS)

An area of particular concern for us, as well as the rest of the world, is the epidemic spread of Acquired Immune Deficiency Syndrome (AIDS). We have contributed funds to the World Health Organization in support of the growing African demand for assistance in control activities. A.I.D. is also planning a centrally funded project which will support the efforts of WHO and other international AIDS education and control efforts.

We have recently completed an Africa Child Survival Strategy, and when coupled with agency's health and child survival budget, it demonstrates a special commitment to Sub-Sahara Africa. I have brought a copy of the strategy for inclusion in the record, and wish to summarize the budget below.

The Africa Bureaus DA level has been averaging about $48.0 million per year in the health and child survival accounts (including the Sahel account) since 1983. With centrally-funded activities, the budget level averages over $50 million.

The African Child Survival Initiative (CCCD) is active in 13 Sub-Saharan African countries:

Burundi
Congo
Guinea
Lesotho
Malawi
Swazialnd
Nigeria
Central Africa Republic
Gambia
Ivory Coast
Liberia
Rwanda
Togo

In addition we also have child survival activities in another thirteen nations:

Kenya
Uganda
Somalia
Burkina Faso
Mali
Senegal
Zimbabwe
Sudan
Cameroon
Zaire
Chad
Niger
Sierra Leone

Health-Child Survival Budget (in thousands of dollars)

Account	1983	1984	1985	1986	1987	1988
DA/Sahel	37,032	38,413	60,532	50,653	49,702	48,412
Centrally Funded*	82	1,502	21,370	18,520	4,523	5,450
Total:	37,114	39,915	81,902	69,173	54,225	53,862

*Includes funding from Sci. & Tech. Bureau, Food For Peace and Vol. Asst. Bureau, and Office of Foreign Disaster Assistance

Our interest in the quality of life in not confined to the human experience.

Biological Diversity

In the area of biological diversity, we have over 30 activities related directly to Section 119 of the Foreign Assistance Act, which in FY 1986 totaled about $2.5 million. Some examples currently funded include the inventory of endangered species in the Bururi forest area of Burundi, protecting the black rhino of Zimbabwe, environmental education in Swaziland, and a project with the World Wildlife Fund - U.S. to inventory the animal life in the Beza Mahafaly Reserve in Madagascar.

Also, in Madagascar, A.I.D. is working with the International Rice Research Institute (IRRI) on a rice research activity to develop an institutional mechanism for exchanging rice germplasm and information between the local research institutions and IRRI.

The team researchers have been collecting germplasm and growing nearly 900 samples of rice in Madagascar. In addition to the work done locally, selected varieties are sent to IRRI where they are measured for specific characteristics and tested for specific disease resistance. Also, approximately 1,000 carefully selected seed samples are sent from IRRI to Madagascar for testing under local conditions.

This collection and preservation of indigenous (Madagascar) germplasm is vital to maintaining a wide range of rice germplasm adapted to both upland and irrigated rice productions. We are bringing together an international institution and a national research program to collect and maintain rice germplasm that otherwise may be lost to future breeding programs.

Natural Resources

It has become increasingly clear that the improved management of Africa's natural resources, especially land, water and trees for fuelwood, must be an integral part of our agricultural assistance efforts. The depletion of soils, deforestation, and poor land management are having a major long-term negative impact on Africa's agricultural future.

We are currently focusing on four major area of concentration: agroforestry, soil and water conservation, fuelwood management, and energy.

The Development Fund For Africa

A.I.D. has been involved in Natural Resources Management (NRM) activities for some two decades. In the 1960's and early 1970's, we helped several African countries strengthen or establish national-level organizations to plan and administer forestry and other NRM and environmental programs. Renewed interest and activity began in 1972 and 1973 coincident with the severe drought of that time. We supported schemes to conserve fuelwood and seek alternative sources of energy through fuelwood production, village wood lots, improved cookstoves, and renewable energy development. Assistance was also provided to several countries for resource inventories, country environmental profiles and environment training.

Over the years it has become increasingly clear that the improved management of Africa's natural resources, especially land, water, and trees for fuelwood, must be an integral part of our agricultural assistance efforts. The depletion of soils, deforestation, and poor land management are having a major long-term negative impact on Africa's agricultural future.

As a result, we have refocussed our efforts leading to the newly issued Plan for Supporting Natural Resources Management in Sub-Saharan Africa. (I am submitting a copy for inclusion in the record.) It's main themes are fuller integration of natural resource concerns within the overall A.I.D. program, particularly with respect to policy dialogue and agricultural development; increased attention to fostering African capacity to manage natural resources at all appropriate institutional levels, from the national level to the community; concentration of effort on a handful of priority problem areas; support for farmer-oriented participatory approaches as the basis for program planning and implementation; increased involvement of the PVO and NGO community in project implementation; continued attention to improving donor coordination; and, a commitment to addressing natural resource concerns within a long-term frame of reference.

The plan is the basis for a number of actions we are taking.

1. We will re-examine our existing portfolio to see how the NRM plan can be more fully incorporated into ongoing activities. We have already expanded the scope of training programs to increase the participation of women and to include more natural resources trainees.

2. The Africa Bureau has developed a new Natural Resource and Energy Management Project which will provide needed technical assistance and training resources to our-m~~iss~~ions overseas as they revise their portfolio to emphasize natural resources activities.

3. We have been consulting with the PVO community on NRM matters, for example during a day long meeting last fall on forestry activities. We will discuss the NRM plan and the PVO's role in its implementation on Thursday March 12, 1987.

4. We have begun discussions with the African Development Bank to explore ways to increase its analytical capacity in the environmental area. If the Bank so wishes, we are prepared to reshape our existing Technical Assistance project to ADB in this regard.

I might mention some specific NRM projects which are presently planned or underway.

In Senegal, the $10.0 million Reforestation Project will mobilize local and private resources for treeplanting.

The Ruhengeri Resources Analysis and Management project in Rwanda is working with local farmers to reduce soil erosion and improve watershed stability within an environmentally sensitive watershed.

In Sudan the $4.6 million Renewable Energy project has used a combination of U.S. dollar resources and local currency to promote both the production and conservation of fuelwood resources through local institutions and non-governmental organizations.

Throughout Africa we are working with hundreds of Peace Corps volunteers, many of them in forestry activities.

As I noted earlier, we have an opportunity to capitalize on Africa's recent successes in policy reform, and agricultural production, as well as build on the positive mood that is pervasive throughout the Sub-Sahara. The Development Fund For Africa is the vehicle that will enable us move forward and support the continuation of positive development progress in Africa.

In addition to eliminating functional accounts, which will help increase management effectiveness, the Development Fund For Africa (DFA) will provide long-term funding and signal a special U.S. commitment to assisting our African friends in their quest for a solution of Sub-Saharan Africa's unique development problems.

We will be able to continue agriculture, health, population, child survival, education and environmental activities while stressing private sector and policy reform efforts. However, experience has taught us that the problems of development are complex. Even the best planning can go awry in the wake of unforeseen developments. For this reason the capability to respond to changing realities will allow us to better influence the shape and emphasize the impact of our programs. The Fund will permit us to be more responsive and take advantage of opportunities that arise.

The major long-term objective of our assistance is to help African countries initiate and sustain economic growth that allows them to attain food self-reliance and equitable developmental progress and eventually, arrive at position where foreign assistance is no longer necessary. The major pieces of the strategy are economic stabilization and reform, agricultural and human resources development.

A key component in the DFA is the emphasis being placed on women and their role in production, marketing, and investment. Understanding the critical importance of women and how they influence development and promoting their access to resources required for productive activity is a prerequisite for the success of our African strategy.

Finally, we believe that the Development Fund For Africa will move the development process away from the pressures to obligate funds and maintain annual country levels while moving toward program and project development plans that echo our development strategy. We are emphasizing result oriented objectives and continue to conduct assessments to assure comformance.

Our FY 1988 request calls for a continued mix of project and non-project assistance to complement host country international organization and other donor-efforts. It is important to ensure that sufficient resources are available to allow committed African nations to exercise greater control of their own destinies.

Most importantly, the proposed Development Fund for Africa responds directly to the need for change as defined by the African community. This was outlined in May 1986 during the United Nations General Assembly Special Session on the Critical Economic Situation in Africa. The most notable aspect of the U.N. meeting was the unique degree of unanimity among African leaders with regard to their prognosis for the future and the developmental changes needed to produce positive African growth.

The Southern Africa Initiative

The DFA also includes funds for our Southern African Initiative.

The countries of Southern Africa in varying degrees share many of the problems besetting all of sub-Saharan Africa: periodic drought, decreasing prices for primary products, and huge external debt service burdens.

They also share the experience of a long colonial past, instances of unnatural dependency on South Africa, and an inability to maintain local institutions and infrastructure because of war, destabilization and political and economic uncertainty.

Their population is about 70 million, excluding South Africa and Namibia. Their total GDP is $22 billion, and their average per capita GDP is about $320 per year.

The Administration proposes a special initiative aimed at accelerating the economic development of southern Africa by helping the countries of that region to improve transport and expand trade and private investment in the region.

In the short-term, this U.S. initiative, whose interest areas are also shared and supported by a multi-donor community, will help southern African countries to:

- ensure that economic reform measures can be continued or enhanced;
- provide more efficient, cost effective transport routes for vital imports and exports;
- save on import bills (through reduced transport costs and cheaper imports from the regional market), thereby making scarce foreign exchange available for other urgent needs;
- expand export markets;
- help maintain employment and income levels during a period of economic crisis.

This initiative will also help set the stage for longer-term growth and development through programs to:

- realign regional trade patterns;
- develop productive local industries and promote competitive exports;

- embark on a new economic reform program;
- implement an equitable regional growth strategy to raise incomes and increase employment;
- restore the regional transport system to its former status -- one that is efficient, reliable, well-managed and maintained, and of service to the majority of producers and consumers of the region.

The United States has the opportunity now to expand its help to reinforce the fundamental decisions that countries of the region must make to promote further private sector led growth and expansion. The economic restructuring will in turn enable each country to attract new investment, expand trade and reverse the spiral of economic disasters.

The initiative will address the most acute constraint of the moment, the lack of foreign exchange to fuel increased production, trade and investment. This will make it easier for countries to implement national economic policy reform programs, and help the countries of the region through a period of economic transition which will inevitably impose hardships on consumers and producers.

Finally, U.S. assistance, combined with that of other donors, will help improve the physical infrastructure needed for efficient transportation of critical inputs and products for new and expanding markets.

Our FY-1988 request is for $500 million to support the Development Fund for Africa. In addition, $100 million for Africa from the Economic Support Fund account will be requested to support strategic interests justified on political and security grounds.

A.I.D. and Private and Voluntary Organizations

Of particular importance in making sure that we keep up-to-date on trends and conditions in Africa are A.I.D.'s relations with private and voluntary organizations working throughout the continent. The contribution of private and voluntary organizations to the successful implementation of projects is well known when one considers their relationship to A.I.D.'s in Africa, of equal interest are the daily contacts, information sharing, and feedback in the field, as well as the seminars and working groups held here in the United States which they provide. Our recent cooperative efforts relating to the drought are clear examples of the effectiveness of this union.

The kinds of reforms currently taking place in Africa frequently involve decentralization leading to increased local activity and enhanced use of local level institutions. PVO's, both U.S. and indigenous, are often ideally suited to foster and reinforce this kind of change.

We realize the PVO community has concerns about A.I.D.'s interest in policy dialogue and non-project assistance, but there is a linkage between them and PVO activities. In our view, as economic reform proceeds and privitization increases, more opportunities will open up for private sector entities, including PVO's, to carry out their programs.

Conclusion

I believe we can be proud of A.I.D.'s record in Africa over the past twenty years. However, the kinds of changes we have fostered in recent years will, in my mind, have a more profound impact on life in Africa than we can now imagine.

An Africa with a stable and healthy population base, a flourishing agricultural sector, a thriving private sector, and a strong and compasionate governmental sector is the goal of our assistance. A.I.D.'s current program fosters this kind of growth and reflects many of your concerns.

It is a good strategy, and we believe it will yield sound developmental results.

I look forward to your questions.

[The "Plan for Supporting Natural Resources Management in Sub-Saharan Africa" and "Child Survival Action Plan" by the Office of Technical Resources, Bureau for Africa, Agency for International Development, February, 1987, may be found in the Committee's files.]

FAMINE, DEVELOPMENT AND FOREIGN AID

Nick Eberstadt

IN RECENT years, American foreign-aid policies have been shaped increasingly by the argument that the many different problems facing the poor nations are inextricably interconnected, woven together into an all-encompassing "seamless fabric." However pleasing this notion may seem to theoreticians, its practical implications are dangerously wrong. The problems facing poor nations can be distinguished from each other and treated separately—and must be. It is no act of charity to suspend the rules of policy analysis and problem-solving at the borders of the Third World.

Although current American policies often fail to distinguish among them, three separate purposes underlie our foreign-aid programs. The first is the humanitarian purpose of alleviating suffering and minimizing loss of life from the upheavals following sudden, unexpected catastrophe. The second is the developmental purpose of encouraging poor nations to find their best path to economic health, self-sustaining growth, and general prosperity. The third purpose is to promote the security of the United States and the Western order through military aid or security assistance to a foreign government.

Military aid to less developed countries is but a part of a larger, global American defense strategy. The aid the United States extends to nations which happen to be poor, moreover, is only a tiny fraction of the money it expends to preserve the security of Allied nations that are already rich—such as Japan and the NATO countries. Military aid to less developed countries, then, is not in any meaningful sense a Third World policy, even though it involves transfers of money and resources to nations in the Third World.

Humanitarian aid and development aid are quite different. These address, respectively, short-term exigencies and long-term prospects of poor nations, and are governed by an attention to poverty. To understand the best use of these different forms of aid, we must appreciate the problems each must address. Let us examine them separately.

II

MUCH of mankind continues to live under the shadow of life-imperiling disasters and upheavals. Floods, earthquakes, and storms still endanger millions of people every year, and the human cost of famine is even greater. Since the end of World War II it is believed that tens of millions of people have perished from famine in Asia alone.

To deal effectively with today's natural disasters, we must begin by recognizing that there is very little that is natural about them. Acts of God cannot be prevented, but the quotient of human risk and suffering they exact can be vastly and systematically reduced. Current events underline the point. The United States and Japan happen to be more subject than most regions of the earth to sudden natural disturbances. The Japanese archipelago, after all, is an earthquake zone, buffeted by tropical storms and exposed to *tsunami* (tidal waves). The U.S. land mass is threatened by earthquakes, tropical storms, and tornadoes, and the country, in addition, has more active volcanoes than any other. Nevertheless, very few people in Japan or America die from these natural perils.

The African continent, by contrast, would appear to be comparatively well protected against sudden disasters. It is exposed only slightly to tropical storms and tidal waves, has only a small earthquake belt, few active volcanoes, and it experiences tornadoes only in South Africa. Despite these natural advantages, however, sub-Saharan Africa has been stricken by perennial disaster in the decade since decolonization was effectively completed. These disasters are believed to have cost hundreds of thousands of lives.

Western peoples have not always enjoyed their present protection against adverse acts of nature. In the first ten years of the 20th century, over 8,000 Americans died in hurricanes,* as opposed to the 100 who died over the past ten years. What accounts for this almost 99-percent drop, despite a doubling of the population and a steady urbanization of the coasts where hurricanes most often strike? Affluence, as manifested in safer dwellings, explains part of the change; even more, however, is explained by those handmaidens of affluence, technical advance and government competence. Improvements in communications, transportation, weather tracking, emergency management, rescue operations, and relief capabilities have made it possible to reduce dramatically the human price exacted by even the worst hurricanes in the most populated areas. Purposeful private and governmental action can now substantially cut the toll from other natural disasters as well, even in the poorest nations.

Not all governments, however, work at minimizing the havoc which sudden disasters wreak upon their people—as the two most costly sudden disasters of the 1970's attest. In 1970, East Pakistan, as it was then known, was devastated by a typhoon. The Pakistani government—seated in and dominated by West Pakistan—responded to the extreme distress in its Bengal territory with what might at best be described as reserve. As many as 100,000 Bengalis are thought to have perished in the aftermath of that typhoon.

In 1976, the city of Tangshan in China was flattened by an earthquake. One of the Chinese government's first responses to the disaster was to announce it would refuse all international offers of aid for the victims. Details about the actual rescue operations which China itself undertook remain obscure to this day. One of the few accounts of the disaster permitted in the Chinese press at the time was a front-page feature in the *People's Daily* praising a peasant who let his own two children die as he rescued instead an aged party cadre; local and foreign readers came to their own conclusions about what this carefully placed article was intended to suggest. Since the rise of Deng Xiaoping, China's media have severely criticized his predecessors' handling of the Tangshan affair; they now state that almost a quarter-of-a-million people died in the disaster.

IF GOVERNMENT action can be consequential in limiting the suffering caused by sudden upheavals, it can be even more important in controlling or preventing famine. In the past, famines were typically related to regionalized crop failure. It is now possible to cushion the impact of crop failure in even the poorest regions of the earth. Concerned governments can monitor the progress of their nations' harvests by following local markets, by direct on-site inspection, and by studying the data from worldwide aerial and meteorological surveillance services.

These early-warning systems can give governments valuable months in which to prepare against food shortfalls. Food grain may be purchased from the world market, which trades and transports over 200-million tons each year. If for some reason a government cannot finance its emergency food-grain needs, it may draw upon the 7-million-ton reserve of concessional food aid which Western governments set aside each year. If a government lacks the administrative capacity to manage a far-reaching relief effort, it may request free assistance from the many impartial international organizations which have proved they can both supervise and staff effective relief operations on short notice and under difficult conditions. Almost twenty years ago, concerted American-Indian cooperation after a series of harvest failures saved millions of Indians from starvation, and even seems to have prevented death rates from rising in the afflicted provinces. Since then, the capabilities of both the world food system and international relief organizations have grown steadily. They now present even the most modest and least sophisticated government with an opportunity to control famine within its borders—if it wants to do so.

The terrible truth, however, is that many governments in the world today have demonstrated that they are not interested in seeing their people fed. Some have deliberately ignored signs of incipient crisis. Others have interfered with international relief for their stricken groups. Still others have actually created famine conditions through premeditated action. In every recent instance where a potential food shortfall has developed into a mass famine, the hand of the state has been prominently involved

Consider the great famines that have gripped the poor regions over the past quarter-century. In China, the Three Lean Years lasted from 1959 to 1962. Chinese officials now say that millions of people died during this famine, and Western demographers have recently suggested that "excess mortality" during this period may have been as much as thirty million. The Three Lean Years were a direct consequence of the Great Leap Forward, an awesomely ambitious social and economic experiment which resulted in a nationwide collapse of agriculture and a brief but virtually total destruction of the national food system. Even as their policies were causing millions of their citizens to starve, China's leaders denied there was a crisis, refused all offers of international aid, and exported food.

---

* Cited in Anders Wijkman and Lloyd Timberlake, *Natural Disasters: Acts of God or Acts of Man?*, London and Washington, Earthscan, 1984.

In Nigeria, where perhaps a million ethnic Ibos died of famine in the late 1960's and early 1970's, the federal government deliberately encouraged starvation in that province, which had proclaimed its independence, in the hope that this would hasten its reconquest. In Ethiopia in the early 1970's, the Haile Selassie regime consciously concealed a famine which was ravaging its minority peoples; it is now said that several hundred thousand people lost their lives as a result of this deception, although the exact cost will never be known. In the mid-1970's, the Indonesian government attacked, occupied, and annexed the territory of East Timor; it used hunger as a weapon of conquest. It is believed by outside observers that over 100,000 Timorese starved to death before Indonesia allowed the island to be fed; in all, as much as a quarter of the Timorese population may have perished from famine. In the late 1970's as many as two million Cambodians may have died as a result of hunger; they did so only because the Khmer Rouge government made the mass extermination of whole segments of the national population its official policy.

Once again there is famine in Ethiopia. Though its ultimate toll is yet to be determined, its causes are already apparent. After seizing power in 1974, Ethiopia's Marxist-Leninist *Dergue* (Armed Forces Coordinating Committee) launched a campaign against "capitalism" in the countryside, restricting and ultimately prohibiting the private sale and marketing of farm produce and agricultural implements. At the same time, a newly formed secret police executed thousands of students and skilled workers in this predominantly illiterate nation, imprisoned tens of thousands more, and caused even greater numbers to flee their homeland. With the encouragement of Soviet and Cuban advisers, the government used its foreign aid to underwrite military build-up and war.

In a country like Ethiopia, which has always been subject to drought, such policies insured that widespread famine would be only a matter of time. When famine finally did strike, moreover, the *Dergue* gave little priority to relief efforts. Although millions of its citizens were said to be directly affected by the food shortage, the regime concentrated on commemorating its tenth anniversary in power—in a celebration which is said to have cost the equivalent of over $100 million.

Relief operations do not seem to have begun in earnest until after an outcry in the West over the plight of the famine victims. Even then, the Ethiopian government continued to obstruct international efforts to alleviate its people's distress. Instead of helping rescue workers reach famine victims in Tigre and Wollo—stricken regions where the *Dergue* is especially unpopular—the government began a program of mass deportations: 2.4 million of those areas' most able-bodied (thus least endangered) people were scheduled for eventual removal. And in contravention of the two basic principles of humanitarian relief—impartiality and nondiscrimination—the *Dergue* forbade all relief for the territory of Eritrea. Half-a-million people were reported to be starving in Eritrea, but this did not stop the Ethiopian armed forces from attacking convoys suspected of bringing relief supplies into the afflicted region.

Ethiopia is not the only government currently contriving to foment mass starvation. The ongoing efforts of the Soviet Union in Afghanistan, for example, are often forgotten. Since the 1979 invasion, Soviet forces have carefully destroyed the food system in many resisting regions. In so doing, they have turned literally millions of Afghans into destitute refugees, no longer able to feed themselves in their own nation. Over two million of these people subsist today in refugee camps in Pakistan. They are kept alive by charity from the West.

The American architects of the postwar international order did not anticipate such problems. In 1943, as President Franklin D. Roosevelt laid the foundations for the broadest and most successful relief effort the world had ever seen, he explained that the new United Nations Relief and Rehabilitation Agency (UNRRA) would be operating only in "liberated areas." He assured "liberated peoples" that "in victory or defeat, the United Nations have never deviated from adherence to the basic principles of freedom, tolerance, independence, and security." President Roosevelt believed that preventing famine would be an eminently manageable task under governments which respected the sanctity of human life and upheld Western values, and he was right. With the spread in membership in the United Nations, moreover, it seemed that enlightened governance might eventually prevail across the entire globe. Today, however, only a handful of countries beyond the borders of the West embrace the values codified in the United Nations' Charter and its Universal Declaration of Human Rights. Many member states now disregard these codes when they prove inconvenient. Others reject them out of principle, since they are inconsistent with their regimes' totalitarian or anti-Western ideologies.

It is now almost forty years since our victory in World War II. Even so, very few of the world's poorest and most vulnerable peoples live in what President Roosevelt would have considered "liberated areas." It is this fact and not any other which accounts for the persistence of famine in the modern world. Nations can always share the West's technical capacities to save people stricken by catastrophe, but regimes that do not share the West's values cannot be counted on to put these capacities to use.

III

According to many leaders in the Third World and to some development organizations in the West, the principal obstacle to accelerating the pace of material progress in low-income nations today is the insufficiency of concessionary aid from Western countries. It is striking, and inadvertently revealing, that such criticisms of Western giving often neglect to discuss either the quality of the aid received or the ends that it achieves. Such thinking is worse than illogical. By dissociating development aid from measurable results, it reduces Western assistance from a practical policy to an aesthetic, possibly only a symbolic, gesture. To advocate massive new aid programs irrespective of their impact on the economic health of recipient nations would be expensive for the West, but could prove far more costly to the world's poor.

Few people in the West appreciate the magnitude of current resource flows from Western societies to the Third World. Such flows are, in fact, extremely difficult to measure, not only because of the inevitable delays between commitments and disbursals, but because of the complexities of tracking and accounting for funds in a world financial system which is at once open and closed. Nevertheless, the Organization for Economic Cooperation and Development (OECD) attempts to measure these flows, and its computations are instructive.[*] In 1982, the most recent year for which OECD has made estimates, the net total for what it labels "overseas development assistance" provided directly by Western nations to Third World countries was about $18 billion.

But there was more. Multilateral development banks and multilateral development agencies, underwritten overwhelmingly by Western donations, provided an additional sum whose 1982 net OECD put at about $8 billion. And there was still more. Western nations were also providing finance capital to less developed countries under a variety of arrangements, including bank lending, government-to-government loans, export credits, and direct private investment. All told, OECD placed the total net transfer of financial resources from Western nations to Third World countries at almost $80 billion in 1982. This, it must be emphasized, is supposed to be the *net* total: the residual after financial withdrawals, profit repatriation, and loan repayments have been taken into account.

Of course, 1982 is but a single year. OECD estimates of financial flows to developing countries extend back to 1956. According to these computations, the net transfer of financial resources (both concessional and commercial) from Western nations to less developed countries between 1956 and 1982 exceeded $670 billion. This figure, however, seriously understates the true magnitude of the transfer, since it is denominated in current rather than inflation-adjusted dollars. Adjusting for intervening inflation, we find that the OECD estimate would be valued today at over $1,500 billion—that is, over $1.5 *trillion*.

Even this figure, however, understates the total postwar transfer of resources from the West to the Third World. It does not, for example, seem to measure either concessional grants or commercial loans for military matters, even though these play a prominent role in the finances of many developing countries. And it obviously cannot measure the net flow of resources in either the first half of the 1950's or the years since 1982. Taking everything into account, it seems quite possible that the total net transfer of capital from the West to the Third World since the beginning of the postwar international order may have already exceeded $2 trillion at today's prices. Although the complexities of international financial accounting and the unavoidable inexactitudes of adjusting for inflation and international fluctuations in exchange rates prevent us from arriving at a more precise figure, $2 trillion will probably do as the nearest round number to describe the magnitude of the net financial transfer from the West to the poor nations in the postwar era.

Large figures tend to seem abstract, and $2 trillion is an especially large figure. One way to appreciate its size is to consider what it could buy. Think of the entire U.S. farm system. Now think of all the industries listed on the New York Stock Exchange. At their current market values, $2 trillion would pay for *both*.

WHAT has been the impact on the societies which have received this extraordinary transfer of Western wealth? The answer is obviously different in every case. Even so, broad and unmistakable patterns arise, some of which can be glimpsed in the composition of the transfers themselves. Less than one-quarter of the inflation-adjusted total for the years 1956 to 1982, for example, appears to have accrued from direct (and voluntary) overseas private investment. That fraction, moreover, has steadily diminished over time. Whereas in the late 1950's direct private investment accounted for almost two-fifths of the net financial flows to the less developed countries, in the last five years for which OECD has published figures, the fraction has dropped to below one-sixth.

One of the original arguments for foreign aid was that development assistance would increase the capacities of poor nations to make productive use of international-investment resources. The record seems to suggest that precisely the opposite has happened. Despite hundreds of billions of dollars of Western development assistance, and a generation of economic growth in the meantime, the less developed countries, taken as a group, obtain a far smaller fraction of their foreign resources from direct private investment today than they did a quarter of a century ago. This must mean either that Third World nations, taken as a group, have grown more hostile to direct private investments, or that they have become less capable of attracting such investment, or both.

The eclipse of direct private investment from the West was made possible in no small part by the ascension of an alternative medium of capital transfer, commercial lending. Unlike direct private investment, bank loans to less developed countries accrue principally to governments and state-owned public corporations. Such lending effectively severed the connection between the provision of capital and the right to manage it. The responsibility for determining the use of these funds, and of repaying them, fell squarely on the state. It was not long before dozens of nations in the Third World announced that they would be unable to repay their commercial obligations to their Western creditors on schedule.

The attitudes which led to this generalized debt crisis were highlighted in the subsequent rescheduling negotiations in which many Third World governments requested debt relief. Such proposals would have converted a substantal portion of their obligations into a retroactive and unintended gift from the West. This view of Western capital suggested not only that it would be appropriate to convert commercial funds into concessional bequests without warning, but, no less significantly, that there was no reason to expect concessional bequests to earn productive returns.

---

[*] *Geographical Distribution of Financial Flows to Developing Nations*, Paris, OECD, 1984. The calculations here are based on this volume and its predecessor series.

Within the diverse and disparate amalgam of nations that goes by the name Third World there has been a dramatic and general improvement in material living standards during the era of Western transfers. This fact should be neither ignored nor belittled. Life expectancy for the people of "developing regions," according to the World Health Organization, rose by over 50 percent between the late 1930's and the late 1960's, and has risen still further since then.[*] Although no great confidence can be placed in economic estimates for the less developed regions, the World Bank says that per-capita GNP has more than doubled between 1960 and 1980 for the billion people living in what it terms "middle-income economies."[†] According to the same source, per-capita GNP rose by over 30 percent in India during this period. Even that most troubled category of states, the "other low-income economies" of Africa and Asia, are said to have experienced a 20 percent increase in per-capita GNP during these two decades alone.

But while the peoples of the less developed countries have seen far-reaching material advances in their societies, their economies have also typically undergone strange and troublesome transformations. In a great many countries of the Third World it has proved possible to finance the ambitious and comprehensive recasting of the national economy in ways not unlike the mobilizations of societies preparing for protracted and total war. These exercises in economic conversion have left the structures of some less developed countries grotesquely distorted, unnecessarily incapable of meeting either the social needs or the commercial demands of their people. They have left many others in a curious state of economic imbalance: richer than ever before, yet less capable than ever of pursuing self-sustaining growth.

In the Western nations, agricultural development proved to be a key factor in overall economic development. In the era of Western transfer, many governments in Africa, Asia, and Latin America have attempted to bypass agricultural development in their rush to industrialize. They have pursued policies systematically prejudicial to the interests of their rural populations: overtaxing farmers, underpricing their produce, and diverting resources so that the growth of cities and factories may be sustained at a forced pace. Neglect and exploitation have left many poor nations with unnaturally small agricultural sectors in relation to their people's needs or their development potential. Imitating the style of development without capturing its substance, such efforts at development planning have, by and large, succeeded in replicating the structure of the industrialized economies while leaving the populace in poverty.

Some of the resulting distortions may be illustrated by international economic comparisons. (The estimates for poor nations, which come from the World Bank, should not necessarily be treated as reliable or even meaningful, but they are the most commonly used figures in such exercises.) For Peru and Mexico in the early 1980's, the proportion of agriculture in overall GNP was put at roughly 8 percent. This is only half the share that Germany devoted to agriculture in the 1930's, even though Germany then was much more prosperous than Peru or Mexico today by almost any economic measure. By the same token, the share of agriculture in Ecuador's GNP today is apparently smaller than Holland's was in 1950. Bolivia's ratio of agriculture to GNP is lower today than that of Greece, although by any other measure it is Greece which should be considered the more industrialized society. Present-day Nigeria and the Denmark of the early 1950's show roughly equal ratios of agriculture to GNP. Senegal, a nation affected by the Sahelian food crisis, has managed to reduce its current ratio of agriculture to national output down to the level that characterized Japan in the early 1950's. The relation of agriculture to output in Pakistan and India is about the same as in prewar Italy, and is only slightly higher in Bangladesh today than it was in Italy at the turn of the century.[**]

The same policies which produce industrialization without prosperity have created an equally paradoxical phenomenon in many less developed countries: investment without growth. By the estimates of the World Bank, in the early 1960's the ratio of gross domestic investment to GNP in Jamaica, Mauritania, Liberia, and what is now the People's Republic of the Congo was equal to or higher than that of Japan in the early 1950's, at the start of its remarkable boom. Yet over the course of the 1960's and 1970's, while Japan was quadrupling its per-capita output, Mauritania and Liberia are said to have raised theirs by less than 40 percent; the People's Republic of the Congo, by the World Bank tally, registered a rise of less than 20 percent; and Jamaica apparently increased its per-capita output by a mere 13 percent. It is worth considering the scale of economic mismanagement necessary to achieve such results. We might also wonder how a poor government could maintain such strikingly high rates of capital accumulation in the face of indisputable and continuing economic mismanagement.

Just as agricultural sectors in the Third World have been artificially restricted and diminished by national policies, so what is termed investment has been artificially swollen. According to the World Bank, the region of the world with the *lowest* overall investment rate today is the West. In the "middle-income economies," overall rates of gross domestic investment are said to be just short of the historically extraordinary levels Japan achieved at the start of its growth spurt in the 1950's. For the "low-income economies," overall rates of gross domestic investment are higher today than they ever were in the United States or the fastest-growing nations of Western Europe.

---

[*] World Health Organization, "Mortality Trends and Prospects," in *WHO Chronicle*, 1974, Vol. 28.

[†] World Bank, *World Development Report*, 1982, Oxford University Press, 1982.

[**] Data for "developing countries" come from various issues of the World Bank's *World Development Report*. Historical figures for Western nations are from Simon S. Kuznets, *Modern Economic Growth* (Yale University Press, 1966) and *The Economic Growth of Nations* (Harvard University Press, 1971).

But these patterns of investment cannot be taken as a sign of economic promise. In many countries, they have already proved to be manifestly unsustainable—the "debt crisis" affecting so many poor nations is only a formal recognition *in extremis* of this fact. To a distressing degree, the capital build-up to which so many Third World governments have committed themselves over the past three decades was guided not by economic logic but by the political imperative of maximizing the resources and power in the hands of the state. The misuse of resources, always costly, is especially hard on the populace of poor societies. It is poor people, after all, who can least easily forgo consumption today, and investment is by definition forgone consumption.

The postwar transfer of resources from Western nations to the less developed countries, as it has been conducted, appears to have accorded with neither of the two original premises for extending "development assistance": it has not improved the climate for productive international investment and it has not contributed generally to self-sustaining economic growth. Ironically, financial transfer from the West may actually have made it possible for many nations to avoid participating more fully in the world economy. Under the best of circumstances, financial aid increases the local money supply, and thus stimulates inflation and reduces international competitiveness unless offsetting measures are enacted. Many regimes have demonstrated that they are not interested in enacting such measures. After all, overvaluing the local currency makes imports cheap, and to the extent that foreign finance is available, exports are unnecessary.

THE justification for "development assistance" which has been voiced increasingly since the early 1970's is the need to "build human capital." There should be no mistaking the crucial importance of human capital in economic growth. Health, education, knowledge, skills, and other immutably human factors determine the maximum pace at which development may proceed. But returns from human capital, as from any other potentially productive resource, depend upon the environment in which they are put to use. Where physical capital is mismanaged and depleted, it would seem unrealistic to expect human capital to be carefully preserved, augmented, and utilized.

Human capital is much more difficult to measure and evaluate than physical capital—a fact that may not have escaped advocates of new spending programs in this area. Nevertheless, it is possible to make some tentative assessments of the effectiveness of some of the human-capital programs Western aid has helped sponsor. Consider education. As a very rough rule of thumb, the literacy rate in a poor society today should be similar to its primary-school enrollment ratio twenty years earlier. The rule holds in many developing nations, but not in all. According to the World Bank, for example, 47 percent of Bangladesh children were enrolled in primary schools in 1960 but the nation's literacy rate in 1980 was only 26 percent. In Togo, the enrollment ratio was 44 percent in 1960, but literacy is put at 18 percent today. In Zaire, the enrollment ratio was 60 percent in 1960, and the literacy rate today may be as low as 15 percent.*

Literacy, of course, is notoriously difficult to measure. Such radical discrepancies, however, appear to speak to something more fundamental than inexact definitions. They suggest that spending in the name of human capital can be wasted, and often has been. The irony is that such wastage seems most likely to occur as governments restrict their societies' contact with the world economy—preventing them from participating in the learning process which has so demonstrably enhanced the productivity of nations at all economic levels in modern times.

In the final analysis, the economic impact of Western financial transfers on the nations of Asia, Africa, and Latin America seems to depend very largely on the attitudes and inclinations of the recipient government. Taiwan and South Korea were both major beneficiaries of foreign aid in the 1950's and early 1960's, and South Korea has been a major borrower of international capital in the 1970's and the early 1980's. Both countries have used these resources in ways that have enchanced their overall economic productivity, improved their international competitiveness, and increased their ability to take advantage of the growing opportunities afforded by world markets. But easy credit and free aid need not be put to economically constructive purposes. They may also be used for quite different goals—even to underwrite practices so injurious that they could not otherwise be afforded.

IV

IF OPINION surveys are correct, the American people are troubled by our present policies to relieve distress and promote prosperity in the poorer regions of the earth. They are right to be so. As they are currently conducted, American foreign-aid policies cannot be relied upon to encourage economic health or self-sustaining growth in low-income nations; indeed, they may actually subsidize practices that perpetuate or even generate poverty in certain places. Such programs betray the wish of the American people to extend their help to the world's least fortunate groups and dangerously compromise America's moral role in the world.

In the decades since they were initiated, the official development policies of the United States have undergone a progressive divorce from their original purposes and principles. To judge by the results of current foreign-aid programs, the United States government has become comfortable with the idea of conducting a special, separate foreign policy toward the world's poor—a policy whose principles and goals are distinct from, even opposite to, those by which we guide ourselves in the rest of the world. Pursued to their logical conclusion, America's current aid policies would leave poor nations ever less capable of self-sustaining growth, and increasingly dependent on foreign largesse to maintain or improve national standards of living. These same aid policies appear to be indifferent to the politically induced suffering which so many poor peoples must endure at the hands of irresponsible or actively mischievous governments. Would we ever think of guiding our relations with another Western people by such rules?

---

* *World Development Report*, 1982 and 1983. The World Bank did not publish literacy estimates in the 1984 edition of its report.

The terrible irony of this situation is that the United States created a new global order at the end of World War II precisely to eliminate the sorts of suffering we now seem to be inadvertently underwriting in different poor nations. The economic pillars of this new order were an International Monetary Fund, a World Bank, and a generalized arrangement for the promotion of international trade; the political framework for this order was to be the United Nations. The liberal international economic system which was built on those foundations has proved to be the greatest engine of material advance the world has ever known; it has demonstrated its ability to contribute to prosperity in any and all nations willing to avail themselves of its opportunities. The values we impressed upon the original documents of the United Nations not only laid down the guidelines for decent and humane governance, but suggested the approach to policy most likely to relieve suffering and promote general prosperity. These postwar arrangements, which the United States struggled to produce, have created the greatest opportunities for satisfying the wants and needs of mankind that history has yet seen.

A generation of divisive rhetoric and drift has taken its toll on the United States. What is often easy for Americans to forget is that our divisive rhetoric and drift take an even greater toll on other peoples. The fact is that the United States—as a nation, a power, and an idea—is the greatest hope that the world's poor and unprotected peoples have. It is the American people's unmistakable preference that the peoples of the poorer regions of the earth should eventually be liberated—in the true meaning of that word. The United States can do much to help these peoples in their liberation. But we will not be true to our own preferences, or the promise of our system, if we divorce our policies toward the world's poor from the values, institutions, and international economic arrangements which we cherish for ourselves.

PREPARED STATEMENTS OF THOMAS B. STOEL, JR.

March 12, 1987

I. Introduction

Mr. Chairman, I appreciate very much the opportunity to have this statement included in the record of your hearing on S. 701. I am Thomas B. Stoel, Jr., Director of the International Program of the Natural Resources Defense Council (NRDC). NRDC is one of the Nation's leading environmental organizations, with more than 75,000 members in every state and more than 30 foreign countries. This statement also represents the views of four other major environmental organizations: the National Wildlife Federation, which has more than 4,500,000 members and supporters; the National Audubon Society. which has more than 500,000 members; the Sierra Club, with some 400,000 members; and the Environmental Policy Institute. Together, these organizations have more than 5,000,000 members and supporters.

All of these groups have a strong interest in the health of the environment, not only in the United States but all over the world. They are deeply concerned about the ongoing crisis in

Africa, a crisis due in large part to the deterioration of the natural resource base while human populations grow at unprecedented rates.

Africa recently emerged from a famine which caused the deaths of many thousands of people and threatened the lives of millions more. The United States provided hundreds of millions of dollars worth of food aid to prevent further starvation. If this experience is not to be repeated, we must recognize that Africa's crisis is caused to a great extent by the interaction of resource, environmental, and population trends, and that these trends must be reversed if Africa is to enjoy a decent future.

U.S. leadership is a necessity if we are to achieve this goal. The United States must redirect its foreign assistance and take other needed actions. This can be accomplished by enacting the right kind of legislation. S. 701, an amendment to the Foreign Assistance Act introduced recently by you, Mr. Chairman, together with a number of other Senators, is a good start. However, we urge strengthening amendments to make sure U.S. assistance is spent on the right kinds of activities to protect and restore Africa's natural resource base; to relieve African nations of the crippling burden of debt; and to give U.S. policy the proper long-term perspective.

II. Natural Resources and the African Crisis

A. Population Growth

Human populations in Africa are increasing at explosive rates. The United Nations estimates that Africa's population, now about 550 million, will reach 1.5 billion by the year 2025, less than 40 years from now. It is estimated that, before levelling off, Kenya's population will grow from the present level of 21 million to 116 million, Ethiopia's from 42 million to 173 million, Nigeria's from 96 million to 528 million, and so on. In 1983, the Economic Commission for Africa stated that "the historical [population] trend scenario is almost a nightmare."

These population trends have great significance for Africa's future. *Per capita* food production in Africa has actually declined over the past decade. Explosive population growth means that growing numbers of farmers place increasing pressures on Africa's fragile natural resource base, threatening a downward spiral in which reduced productivity generates even more environmental stress due to the continual need to increase output.

B. Natural Resources and the Environment

The reason why environmental and natural resource conditions are so crucial to Africa's welfare is that Africa's people still are predominantly rural, and most Africans depend on nearby natural resources for the great majority of their daily needs. Food is mainly of local origin, and depends on water, productive soils, and wild species of plants and animals. Most people obtain water from neighboring rivers, streams, or wells. About 90% depend on fuelwood, animal dung, or crop residues for heating and cooking. Trees and shrubs provide materials for shelter.

The essence of the problem in Africa is that growing numbers of people live on arid lands where these resources are difficult to produce at best. Climatic conditions -- which unfortunately may persist over the long term -- have caused production of these resources to fall short of the needs of the present population. One result was the recent famine.

If the output of food and other necessities is to increase, the natural resource base must become more productive. But in fact it is deteriorating rapidly.

Perhaps the most troublesome trend is loss of soil productivity. Precise figures for the African continent as a whole are hard to come by, but it is known that little arable land remains uncultivated; that on sloping fields, soil erosion of 20-40 tons per acre is common; that as fuelwood becomes scarce, cow dung and crop residues are increasingly used for fuel rather than to renew the soil; and that livestock numbers have nearly doubled since 1950 and in many areas exceed the land's carrying capacity by 50-100%. In addition, drought and erosion are affecting water supplies. Wells dry up; rivers and streams that ran year-round are choked by silt and no longer furnish water in the dry season.

Tree cover enhances water supplies, favorable microclimates, and the ability of soils to resist erosion. Yet in Africa the area cleared of forests each year exceeds by 29 to 1 the area where trees are deliberately replanted. In famine-stricken Sudan, the stock of trees has declined by 25% since 1965; current trends will reduce the stock to one-fourth of the original level by the year 2000.

C. Debt

These population and environmental pressures are intensified by the burden of foreign debt. There is increasing recognition that the poor countries of sub-Saharan Africa cannot afford both to service these debts and at the same time make the investments needed to put them on the path to sustainable development. Crucial investments in maintaining and restoring the natural resource base and small-scale agriculture will be impossible if nations are continually preoccupied with staving off the next call from creditors and foreign assistance is aimed at "rolling over" old debts.

III. The Need for New Legislation

The foregoing makes clear that the current situation and trends concerning natural resources and population in Africa are intolerable. U.S. leadership is a necessity if those trends are to be reversed, as they must be. We are the world's richest nation, and the political, economic, and military leader of the Western industrialized nations which control most of the world's wealth and scientific capabilities. We must ensure that our resources and influence are applied to the African crisis.

The current situation with respect to U.S. bilateral aid and debt policy is also admitted by all to be unsatisfactory. U.S. assistance has operated under short-term guidance and funding, and there has been too little emphasis on participatory development.

With respect to natural resources management, U.S. AID has supported some good efforts, such as fuelwood projects and local actions to restore the natural resource base carried out by U.S. PVOs like CARE and Africare. Yet these efforts appear to have dwindled during the past few years under budgetary pressures and in the face of competing priorities. The FY 88 Congressional Presentation reveals a further decline, with virtually no proposals for new natural resource projects.

With respect to population, much the same is true. Too little has been done in the past, and it appears that FY 88 will see a decline.

Concerning African debt, the Administration has no proposals except to furnish short-term funds to "roll over" old debts. It seems to believe that if the long-term aspects of the debt problem are not discussed, they will go away.

The Administration is now proposing that the Congress create a new Africa Fund and set priorities for its use. Thus, the question is not whether there is a need for new legislation, but what that legislation should be.

IV. Our Views on S. 701

We believe S. 701 is a good start. We especially applaud its recognitions of the need for a "bottom-up" approach to development in Africa, and for adequate foreign assistance resources even in a time of tight budgets. However, we find serious flaws in the bill's failure to ensure that AID will engage in enough of the right kinds of actions to protect Africa's natural resource base and support voluntary family planning; in its total failure to address the issue of bilateral debt; and in its failure to adopt a sufficiently long-term perspective.

1. Provisions Concerning Environment and Natural Resources

S. 701 recognizes that the productivity of African agriculture depends on a sound natural resource base. Its mandate that AID pursue a "bottom-up" approach to natural resource management is a significant advance. Environmental and social conditions in Africa -- including the weaknesses of national governments, the lack of transport and communications systems, the need for careful management of fragile soils and water supplies, and the existence of strong institutions at the village level -- make it plain that these efforts must come from the bottom up, not the top down.

The U.S. Office of Technology Assessment recognized this in its excellent December 1984 paper, "Africa Tomorrow." That report concludes:

> the technology most needed in sub-Saharan Africa should be low-risk, resource-conserving, small-scale, affordable (not capital intensive), locally produced and repaired, adapted to local labor availability, and consistent with traditional agricultural methods.

AID itself has come to a similar conclusion. Its own technical background document on natural resource management in the arid zones of sub-Saharan Africa (Nov. 1986 draft) says:

> Actions at the village level in the sub-region are the key to the twin goals of (1) arresting degradation and regenerating the land and vegetative resources, and (2) increasing food and fuel self sufficiency.

Yet AID itself has not made these local actions a priority in the field.

S. 701 attempts to correct this deficiency by requiring that AID support many small-scale, local efforts to increase food production in ways which protect and restore the natural resource base. However, we believe the legislative language should spell out more clearly just what kinds of actions the Congress has in mind. We think the legislation should direct that they include agroforestry, small-scale farms and gardens, and other innovative agricultural methods (including energy and resource-conservation techniques and use of organic or regenerative methods where feasible); check dams and terraces and other projects to prevent erosion or protect watersheds; tree planting for windbreaks, soil stabilization, or firewood; energy conservation and small-scale energy production to reduce consumption of firewood and animal wastes otherwise usable as fertilizer; sustained production from indigenous plants and animals, especially to conserve rangelands; and local education and training efforts.

S. 701 recognizes that these projects can only succeed when local people are involved "at all stages of project design and implementation." However, we believe the bill should contain more specific requirements that there be greater involvement of African women, who usually are the ones who actually labor in the fields.

Commonly, the best way to involve local people will be through local governmental organizations, such as village councils; local nongovernmental organizations; or U.S. private and voluntary organizations. A constant theme among aid agency personnel and others who have spent time on the ground in Africa is that projects administered by these types of organizations are most likely to succeed. African development must build on this field experience, so that these projects are not isolated examples but the norm. Accordingly, S. 701 provides that AID shall emphasize grants for these kinds of organizations.

We would emphasize especially the role of indigenous African groups. Village institutions in Africa are relatively strong. They must be involved in the planning and implementation of projects, and in their administration. Village people must be educated, trained, and otherwise prepared to carry on after external assistance comes to an end. The growing number of national and provincial indigenous nongovernmental organizations can help make this happen. AID must place a higher priority on working with them, beginning with surveys to identify their capabilities.

b. Actions Needed at the National Level

Purely local actions will not be sufficient to maintain and restore the natural resource base. S. 701 provides that the local projects just described must be backed up by efforts at the national level. However, the bill again is too general. We believe it should specify that AID must take actions aimed at strengthening institutions such as environmental authorities, soil conservation and forestry services, and nongovernmental organizations; providing seeds, seedlings, energy-efficient and resource-conserving devices, and other needed materials; and creating financial mechanisms to furnish credit to small farmers.

S. 701 recognizes the need for training and education activities at the national and regional as well as the local level, but again fails to specify what they should be. We believe they should include support for African training and educational institutions; development of curricula; training and education through indigenous institutions; establishment of cooperative relationships between United States and African educational institutions; support for natural resource managers to participate in conferences, courses, and the like; and training of trainers.

c. Actions Needed To Foster Research

It appears that in general the agricultural research establishment represented in the Consultative Group for International Agricultural Research hasn't really come to grips with Africa. There is talk about a "Green Revolution" for Africa. But the essence of the Asian Green Revolution was the development and dissemination of new, higher-producing crop strains which increased productivity on fertile soils, in part through application of expensive, high-energy inputs by highly disciplined farmers.

Africa largely lacks the fertile soils. Productivity of arid Africa's grains of preference, sorghum and millet, has nearly stood still. Research on African crops is needed, especially to develop major food crops which can be grown on an environmentally sound and sustainable basis in semi-arid areas. But if there is an African Green Revolution, it will look very different from the Asian one.

Short of major food crops, there is an urgent need for research to provide appropriate materials and techniques for local projects of the kinds described previously. The need here is for practical, least-cost technologies which may be overlooked by conventional research institutions. For example, the promising areas of agroforestry, mixed farming, and low-input agriculture are presently starved for funds.

There is also a strong need for better monitoring and data on environment and natural resource conditions. Remote sensing, aerial surveys, and ground investigations all are needed on a scale far beyond the efforts of the past. These findings must then be incorporated into development planning.

The United States should use its resources and influence to promote these kinds of research. We should place great emphasis on involving and strengthening African research institutions. The research provisions of S. 701 are good so far as they go. However, report language should spell out more clearly the desired objectives, including those just described.

2. Actions Needed To Stabilize Populations

S. 701 recognizes that development cannot be sustained unless human populations stabilize at levels where natural resource systems can meet human needs. The current explosive population growth in Africa is clearly unsustainable, and among other things is placing unbearable pressures on the fragile natural resource base. Many African governments at last are recognizing the need for strong actions to slow population growth. They need advice and help.

U.S. AID has been the leader and innovator with regard to family planning and population policy development for more than 20 years, through both a strong bilateral assistance program and heavy utilization of private family planning organizations. Unfortunately, U.S. withdrawal under the current Administration from multilateral donors like the UN Fund for Population Activities and the International Planned Parenthood Federation has reduced U.S. Government leadership at a critical juncture. It is imperative that we reassert our leadership role.

U.S. AID needs to do much more if Africa's population is to stabilize at sustainable levels. In cooperation with UNFPA, IPPF, and other major family planning PVOs, AID should establish a major bilateral population program in each African nation eligible for U.S. assistance. This will require increased funding for population assistance in Africa.

3. Actions Needed To Lift the Burden of Debt

We regret very much that S. 701 fails to recognize that immediate actions are needed to relieve African nations of the crippling burden of foreign debt. The bill should, at a minimum, provide for the five-year grace period on repayment of official bilateral debt provided by the companion House bill, H.R. 1199.

C. The Necessity of Unambiguous Earmarks

We believe the greatest deficiency of S. 701 is its failure to require AID to spend specified minimum levels of funds in the key areas of natural resources and population. Instead of doing so, the bill requires that AID spend 30% of appropriated funds on the three areas of natural resources, population, and health taken together, and declares that AID "should" spend 10% in each of the three areas. We believe this weak-kneed effort to avoid outright earmarks will not hamper achievement of the bill's substantive goals.

The Administration is now trying to make its proposed actions in Africa appear similar to those required by S. 701. But the Administration's recent actions and its specific proposals for FY 88 are very far from those called for in the bill. As demonstrated below, this is true in both areas of major concern to us: natural resources and population.

The gap between the Administration's rhetoric and its past and planned actions make it evident that there is no substitute for specific, unarguable congressional mandates. AID is under many pressures, both from competing internal priorities and from the White House, State Department, and OMB. In a time of tight budgets and hard choices, there is a special need for the Congress to make clear what AID's priorities should be.

In particular, there is a need to require minimum expenditures in the key areas of natural resources and population. The issue before the Congress is not whether AID has authority to do the things called for in S. 701, or whether it is capable of doing them: the answer to those questions plainly is "yes." The issue is whether AID is going to do enough of them in enough places to make a difference. All the evidence -- including the Administration's opposition to earmarks -- indicates that this will happen only if the Congress unambiguously requires it. Our past experience with AID indicates that the fuzzy mandate of S. 701 will not be enough. We urge that the bill be amended to cure this deficiency and require that AID spend 10% of regional funds for Africa on environmental protection and another 10% on voluntary family planning.

We would like at this point to make clear our understanding that the overall earmark for natural resources, population, and health in S. 701. and the 10% "target" in each area, do not include funds spent in Africa by AID as part of global, centrally funded programs. We understand that the funds authorized in the bill are intended basically to replace the share of AID's overall budget historically administered by the Africa Bureau (this is clearly true of the Administration's proposed new Africa Fund, since the Administration is simultaneously proposing to fund AID's central bureaus at last year's levels). If central bureau activities are not to be funded under the bill, they cannot be counted against the earmarks.

1. The Need for a Natural Resources Earmark

S. 701 says AID "should" spend 10% of appropriated funds, or $60 million a year, on protecting the environment and natural resources. The bill requires that AID place "primary" emphasis on small-scale, local actions carried out by African nongovernmental organizations or U.S. PVOs.

The Administration does not claim it has met this target in the past or is planning to do this much in FY 88. Our analysis of a project-by-project breakdown provided by AID's staff indicates that only about $6 million of AID's $480 million FY 87 budget for Africa was obligated for local projects to maintain and restore the natural resource base. This is far short of what the bill's target.

The FY 88 Congressional Presentation indicates that AID plans to reduce, not increase, its natural resource and environment efforts in Africa even below the level of FY 87. AID is proposing virtually no new projects of this kind, and good projects undertaken in the past are coming to an end.

The Administration's informal comments on the companion House bill states that it expects to spend, in the areas of natural resources, population, and health taken together, the 30% of appropriated funds required by S. 701. Since AID never has spent as much as 10% on natural resource activities, and is not planning to in the next fiscal year, we are very much afraid that AID will fall considerably short of the 10% target in S. 701. If the Congress wants AID to reach this minimal level of effort, it must say so clearly and unambiguously. We cannot support the bill without such a specific earmark.

AID has just released a "Plan for Supporting Natural Resources Management in Sub-Saharan Africa." This Plan gives a different impression than AID's actual program for FY 88. The Natural Resources Management Plan says that natural resource management should be a "more important component" of AID's Africa program, and calls for a number of new emphases which appear similar to those of S. 701.

It must be emphasized that the Natural Resources Management Plan is as yet a "paper plan," with no operational effect. It prescribes no funding levels. As we have seen, it is contradicted by AID's operational plan for FY 88 -- the Congressional Presentation -- which indicates that AID will actually reduce its natural resource efforts. Even if we take the Plan at face value, it is no substitute for a clear-cut congressional mandate which will have the force of law.

Moreover, we have seen that the issue is not whether AID has the authority or ability to do the right things to protect African natural resources, but whether AID will do enough of the right things in enough places to make a real difference. The Natural Resources Management Plan provides no assurance that this will happen. Only a clear mandate from the Congress will do so.

2. The Need for a Population Earmark

S. 701 says that AID "should" spend 10% of appropriated funds, or $60 million a year, to support voluntary family planning. The Administration's budget proposal for FY 88 appears to include only $58 million for Africa, a drop from $90.4 million in FY 86. Bilateral programs are proposed in only three countries (Kenya, Niger, and Rwanda), for a total of $9.4 million. Despite commitments by Administration officials to major population activities in Nigeria, there appears to be no money for these activities in the proposed budget.

This lack of commitment to population programs in Africa, together with the well-known opposition of Administration ideologues to family planning programs, underscores the need for a binding congressional earmark, instead of the weaker provision in the bill. The groups I represent cannot support the bill without such an earmark.

3. Administration Objections to Earmarks

The Administration objects to earmarks as "micro-management" of AID's activities. Yet the four "functional accounts" under which AID is now required to classify its expenditures have the effect of earmarking 100% of AID's funds, instead of the 30% specified in the bill. Moreover, the functional account categories are less responsive to the priorities of the Congress and the American people than the three areas specified in the bill.

The Administration also asks for "flexibility." But this basically means that AID wants to be free to pursue priorities quite different from those specified in the bill (perhaps including security-related concerns having little to do with African development). Earmarks would prescribe continent-wide, minimum levels of expenditure in areas of critical importance. If the Administration plans to do an adequate job in these areas, these minimal earmarks would not hamper it at all. If the Administration has other plans, it should reveal them, not leave the Congress and the public in the dark. So far as those plans appear in the FY 1988 Congressional Presentation, they are far from what is needed and underscore the need for congressional earmarks.

D. Need for a Long-Term Perspective

We are disappointed that S. 701 provides only a two-year authorization. We believe at least a five-year time horizon is needed to address the long-term problems of sub-Saharan Africa.

IV. Building Public Support

The environment and natural resource provisions we recommend are badly needed on the merits to help resolve the crisis in Africa. But there is another consideration as well. If the U.S. foreign aid program is to survive this time of budget cuts, the U.S. public must be convinced that foreign assistance dollars are well spent and making a difference. Too many voters connect foreign aid with waste and propping up unsavory dictators, not helping poor people better their lives.

Potentially important constituencies, like the more than 5,000,000 members of the environmental groups which have endorsed this statement, need success stories they can identify with. If there is to be a public constituency for foreign aid, the Congress must set clear priorities which respond to the interests and wishes of the American people. And it must instruct AID to report in clear, understandable terms how that money was spent to help the poor.

We know the American public understands the necessity of environmental protection. The actions by AID we recommend will result in AID actions which make a visible difference in safeguarding the environments of developing nations, producing many success stories which can help build a constituency for the foreign aid program.

V. Conclusion

We would conclude by congratulating the sponsors of S. 701 for making a good start. We hope the changes we have recommended will be adopted by the Congress. If they are, the United States will be committed to an effective, long-term effort to help Africans overcome their crisis. The alternative -- continued human suffering and famine -- cannot be allowed to happen.

March 19, 1987

Mr. Chairman, I appreciate very much the opportunity to submit this statement for the record of this important hearing. I am Thomas B. Stoel, Jr., Director of the International Program at the Natural Resources Defense Council (NRDC). NRDC is one of the Nation's leading environmental organizations, with more than 75,000 members in every state and many foreign countries. This statement also expresses the views of the Sierra Club, a similar organization with over 400,000 members. For reasons stated below, we request that this Subcommittee include in the Foreign Assistance Act, or at least in report language, requirements (1) that a much greater proportion of U.S. aid to the region be spent on badly needed actions to protect the environment and maintain the natural resource base, and (2) that there be no expenditures for large-scale use of pesticides to eliminate the Mediterranean Fruit Fly until environmental effects and non-pesticide alternatives have been fully assessed. Today we ask you to to assure that U.S. economic assistance to Central America helps halt, rather than further, environmental degradation in the region.

I. Reversing Environmental Degradation

Central America is obviously a key area for U.S. bilateral assistance. The Administration has proposed that in FY 1988 a total of $826 million be spent in the region, through bilateral assistance, regional programs, and PL-480. The purpose of this huge flow of funds to a small region, with a population of only 25 million, is to secure the region's economic and political future. Unfortunately, the proposed program of assistance largely ignores the fact that rapid environmental deterioration in the region is a major cause of economic and political instability, and that the goals of U.S. assistance cannot be realized without addressing environmental problems.

The region's population is expanding very rapidly. Unsustainable agricultural and forestry activities are reducing agricultural productivity due to erosion, and hydroelectric potential due to siltation. Overfishing and coastal habitat destruction are reducing fish catches. Armed conflicts and related activities, such as the construction of roads and bases and resettlement of refugees, are causing additional environmental harm. The consequence is that natural resource systems are unable to support growing populations. This leads in turn to rural instability, migration to already overcrowded cities, and greater emigration from the region to the United States.

Plans for economic progress and political stability depend on a productive rural economy. Yet this will be impossible unless environmental degradation is reversed. Of the huge amount of proposed U.S. assistance, only a small proportion -- perhaps 7% -- is devoted to environmental restoration. U.S. AID has the capability to do much more, and Congress should direct it to do so.

Accordingly, this Subcommittee should include in the Foreign Assistance Act, or at least in report language, a requirement that AID support in each country of the region:

- Family planning programs to reduce population growth.
- Improved cropping systems and advice to farmers on how to control erosion.
- Forest management and reforestation programs.
- Upstream watershed management above hydroelectric projects.
- Protection of the habitats of marine fish.
- Assessment of land capabilities and environmental impacts before undertaking development activities, including land reform.

- Integrated pest management to reduce pesticide use.
- Efforts to build the capacities of the region's nations to manage their own natural resources sustainably, and to foster indigenous non-governmental organizations.

II. Medfly Eradication

NRDC and the Sierra Club also urge this Subcommittee to assure that P.L. 480 or other funds are not spent on two proposed projects of the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) which could gravely damage the environment. The two projects, CAPMED and MOSCAMED, would involve massive aerial pesticide spraying and treatment to eradicate the Mediterranean Fruitfly (medfly) in Central America. Late last year, NRDC obtained APHIS documents on the projects through a Freedom of Information Act request which were cause for significant concern over adverse environmental impacts in the region.

CAPMED

CAPMED is a proposed nine-year effort to eliminate medfly from all of Central America and Panama at a cost of around $350 million with contributions from other donors in addition to the U.S. Based on what we received in our F.O.I. request, any expenditures on the implementation of the project would be premature. Those documents indicate that no assessment of the environmental impacts of CAPMED has yet been undertaken.

The environmental consequences of the project could be significant. Malathion, the principal pesticide to be used, is known to be toxic to many species including commercially valuable honeybees and fish. Ethylene dibromide, another pesticide currently being considered for use in the eradication effort, is so carcinogenic that its employment in this country has been banned, and all exports of produce treated with it to the United States are prohibited.

It is questionable whether CAPMED offers any economic benefits to the countries of Central America in return for the environmental costs it entails. A 1985 APHIS study of the proposal found that "the benefits under the most optimistic assumptions do not outweigh the costs." An AID report recently concluded:

> It is noteworthy, that the total eradication of the medfly would have little or no relevance to the current problems with the export of fruits and vegetables into the U.S. There are reportedly up to 14 other fly species of potential regulatory concern, which would occupy the ecological niche currently held by the medfly, if eradication were to be successful. Thus, the real economic advantage of such a program to individual Central American countries is subject to question.

Although APHIS is not requesting any funds in this year's budget for CAPMED, last year the Senate and House Appropriations Subcommittees authorized the Service to work within existing funds and seek support from international donors for the program. In light of the environmental risks and cost ineffectiveness of the project, even those instructions are rash. This Subcommittee should prohibit the use of any funds for CAPMED until all potential environmental consequences have been fully studied and non-pesticide alternatives, including the option of taking no action, are considered.

MOSCAMED

The second project, MOSCAMED, is a similar plan to eliminate medfly from Guatemala only. APHIS plans to use this year's P.L. 480 (Title I) Food for Peace program to fund MOSCAMED. Yet an environmental assessment for MOSCAMED has not been completed either. Nor is it certain that Guatemala would stand to gain from the project.

AID, which jointly administers the P.L. 480 program with the Department of Agriculture, recently undertook preparations for an environmental assessment for MOSCAMED in compliance with its regulations. NRDC and Sierra Club will participate in that process. Yet APHIS documents we received indicate that the Service does not consider itself bound to complete an assessment in compliance with those regulations. This Subcommittee should direct that no expenditures for MOSCAMED will be permitted until an assessment which considers non-pesticide alternatives, including the possibility of no action, is completed. The assessment should comply with AID's regulations.

LETTER FROM DAVID SHEAR

March 30, 1987

Senator Paul Simon
Chairman
U.S. Senate Subcommittee on Africa
Senate Foreign Relations Committee
Room SD-463
Dirksen Building
Washington, DC 20510-1302

Dear Senator Simon:

This letter is in response to your request during my testimony of March 12 for a letter on African debt and the treatment of that issue in HR 1199. In that testimony I mentioned that the House version of the African Famine Recovery and Development Act contained an imaginative, if partial, response to this grave issue which casts a long shadow over African prospects for economic recovery.

The House version of the African Development and Recovery Act calls for a five year moratorium on the payment of interest and principal of those African countries which have undertaken economic reform programs. The criteria for eligibility is spelled out in HR 1199.

I realize that while this provision provides only partial relief to a profound problem, it does reflect the willingness of the U.S. Government to recognize the problem and to respond in the fashion consistent with many of our OECD partners; several of whom have actually forgiven their African official debt. I would, therefore, urge the Senate Subcommittee on Africa and the full Committee on Foreign Relations to consider similar provisions in its version of the bill.

Since testifying, I have learned of an important initiative passed by the House Banking and International Finance Institutions Committee and accepted as part of the Trade Bill No. 3. This legislation calls for an allocation of special drawing rights (SDRs) of $20 billion for allocation to the poorest of the debt-ridden Third World countries. This provision provides a means to wipe out debt which is widely regarded as uncollectible and which by its very existence inhibits the ability of the poorest countries to return their economies to a sustainable path of growth. The majority of the beneficiaries of this special issuance would be the African nations. This special issuance would have no budgetary consequences for the U.S. and could provide dramatic and permanent relief to Africa's current debt crisis. I have attached a summary of this bill to this letter as an appendix.

The membership of InterAction and I urge your careful consideration of the provisions for the five year moratorium contained in HR 1199 and the more complete treatment of this problem as found in HR 3. By doing so, the African Development and Recovery Act would be strengthened immeasurably, and the U.S. leadership in Third World development issues dramatically reinstated.

Sincerely yours,

David Shear

David Shear

Summary of the Fauntroy Bill:

" Relieving Official Debt By Using SDRs"

This bill will request the Secretary of the Treasury to call for an allocation of Special Drawing Rights (SDRs) to be allocated to the poorest of the excessively debt-burdened Third World countries. This one-time issuance of SDRs would differ from normal SDR issuances in that:

a. the SDRs would not be allocated on the basis of quotas in the IMF but according to a 'need' criterion;
b. the SDRs must be used promptly and for the sole purpose of retiring debt;
c. no interest would be charged on the first use of these SDRs (i.e., when they are used for debt retirement), but subsequent use would trigger the regular interest requirements (so that once the debt were repaid, these SDRs would be no different from existing SDRs).

This bill has no budgetary implications inasmuch as the SDR is treated by the U.S. as a valid reserve asset. When SDRs are presented to the Treasury in exchange for dollars the transaction is viewed as a swap of one asset for another.

The bill's implementation would probably require amendment of the IMF's Articles of Agreement, but if the U.S. is supportive, this should not present a serious obstacle. Since 1981 it has been the U.S.'s opposition which has prevented a new issuance of SDRs. While one cannot predict how other countries will respond to a one-time modification of the SDR implementation procedures, there is already considerable support among IMF executive directors for one or another variation of this proposal.

A remaining consideration is whether there is a need for additional liquidity within the global monetary system, for the basic purpose of the SDR is to provide a liquidity supplement. There is no consensus as to the "correct" amount of liquidity that the system needs and one can easily marshall arguements to support either view --- i.e., that there is a need for more liquidity or that there isn't.(There is, however, no dispute over the fact that the existing distribution of liquidity leaves much to be desired and that the poor countries suffer from a tremendous lack of liquidity.)

The real concern is, of course, that an SDR issuance not be inflationary. With this restraint in mind, we are suggesting the issuance of 20 billion new SDRs. This figure is certainly well within the 'safe' range while at the same time being sufficient to enable the poorest of the excessively debt-burdened countries (mainly in Africa) to pay off a reasonable chunk of their official debt and thus get their debt servicing requirements down to a manageable level. There will inevitably be some difficulty in choosing the criteria to determine which countries will benefit from this largesse, but this decision is ultimately up to the IMF membership anyway. We are, however, in the process of developing some suggested criteria for inclusion in the bill.

There is certain to be resistance (possibly unarticulated) to the proposal on the grounds that the retirement of the debt will eliminate the leverage which the creditor nations have over the debtors and thereby allegedly weaken the latter's commitment to policy reforms. This is not a very persuasive arguement, however; the bill will at best wipe out only a portion of each country's debt. A basis for conditionality will still remain. One might also add that if the reforms are being made solely because of external pressure, they are not likely to be very effective anyway.

In short, the bill provides a means to wipe out debt which is widely regarded as uncollectible but whose very existence inhibits the ability of the poorest countries to return their economies to a sustainable growth path. From an economic perspective, the process would be virtually costless in view of the prevailing underutilization of the capital plant and labor force in most of the creditor countries. By helping to reverse the unconscionable net capital outflow which Africa is currently experiencing it would contribute toward recreating vanished markets for American products. It would achieve these objectives by channeling toward the poorest and neediest nations the seniorage which has traditionally been awarded to the wealthiest nations.

PREPARED STATEMENT OF ANNE B. WROBLESKI

We understand that the hearing today will constitute our annual authorization hearing, and my testimony addresses our 1987 and 1988 budget requests. The Committee has asked that we also provide testimony on the International Narcotics Control Strategy Report, which was submitted to Congress on March 2, and on narcotics-related legislative changes we are seeking.

This report is the first under the new procedures created by P.L. 99-570, the Anti-Drug Abuse Act of 1986. On the basis of our report, President Reagan has certified the Bahamas, Belize, Bolivia, Brazil, Burma, Colombia, Ecuador, Hong Kong, India, Jamaica, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Panama, Paraguay, Peru, and Thailand, as cooperating with the United States or having taken adequate steps on their own, in controlling production, trafficking or money laundering. The President also certified Laos and Lebanon on grounds of vital national interest. The President withheld certification from Afghanistan, Iran and Syria.

We believe this process has genuine merit, but our first year experience suggests the need for changes; the Department has suggested several amendments which I will summarize at the end of this statement.

We have received numerous inquiries from Congress concerning our recommendations to the President, and the President's decisions on certification. Much of that discussion focuses on interpretations of full cooperation. It is critical to this dialogue that we bear in mind a simple truth: the requirement is to certify cooperation, not success. As we explained at some length in the INCSR, any logical assessment of a country's performance must be based upon a concept of variability. Section 481 has appropriately recognized since 1983 that our analysis should include the social, political, economic, geographic and climatic factors that affect illicit drug production. We have applied those factors to our essential consideration of what was a country asked to do, and what realistic capability did it have to achieve those objectives. The inescapable fact is that countries are at different states of preparedness and capability to address narcotics production and trafficking.

Moreover, I urge the Congress to consider the nature of the narcotics enterprise. You seek to legislate solutions. But all legislation is in fact a civilized appeal to reason -- that falls on the deaf ears of unreasonable people who traffic in drugs. We are dealing with a criminal enterprise. The Committee emphasizes extradition treaties, an important tool, as the Lehder case vividly illustrates. But, the task is not to make our laws work in another country, through extradition, but to help them make their laws work. Moreover, as regards production, the cultivation and harvesting of illicit narcotics is not, in even a remote context, comparable to our efforts to regulate sugar production and imports, or grains or any other regulated commodity. We can't set quotas as such, or dictate annual reductions, percentages or the like. In the long run, there is no alternative to outright bans on cultivation, enforced by eradication, with sufficient interdiction and enforcement capability to seize contraband and financial assets and to arrest and prosecute major traffickers. This is an incredibly complex, arduous and even hazardous undertaking. We're better at than we were in 1981, or even 1985, and we're getting better all the time.

With that background, let me proceed to the assigned topics, beginning with our 1987 agenda and our budgets.

The 1987 Program Agenda

For purposes of authorization, I will highlight our 1987 agenda, and explain how our proposed 1988 budget builds upon this program base. The base was significantly expanded by the Anti-Drug Abuse Act, from $60.2 million in 1985 to $118.4 million in 1987. For 1988, we are seeking $98.7 million.

Let me interject a perspective of budgets and programs. The experiences of 1986 confirm that we must maintain our program effort at current operational levels, and be prepared to expand in the years to come. Much of that expansion must occur at the multilateral level, through increased contributions from other donor nations. The market is just too lucrative, and worldwide demand is so high that there is no realistic expectation that these traffickers will go quietly or quickly. The attempts made in 1986 to outpace eradication campaigns in Latin America and Asia convince us that traffickers will plant and replant until they know that eradication is not a one-year or two-year phenomenon, but a permanent part of the enforcement program of every source country. On our side, we have to be prepared to stay the course, to weather the spirals in price that spur increases in cultivation and production.

Latin America and the Caribbean

Latin America and the Caribbean are the source and transfer points for all of the cocaine, a third of the heroin, and much of the marijuana entering the United States. INM emphasizesz both as key areas in budget and program planning.

Considerable progress has been made in eradication. While much cultivation remains to be destroyed in all three drug categories, there is also a need to raise the totals for enforcement, including arrests, seizures of contraband and seizures of the profits of drug transactions, especially monetary instruments and other assets.

The additional $53 million appropriated to INM will support a regional air wing which can operate in Mexico, Central and South America, and the Caribbean. Immediate plans call for six helicopters (and possibly two more) as well as eight fixed-wing aircraft and light utility and aerial survey aircraft. Additional funds will support a US-owned aircraft component in the Bolivian control program, and support eradication and interdiction efforts in Peru and Ecuador. New resources will provide fuel and operational support for joint interdiction efforts in the Caribbean and Central America, planned by the National Narcotics Border Interdiction System.

Mexico demonstrated in 1986 it could improve both opium and marijuana eradication; the task in 1987 is to expand both until eradication not only overtakes expanding cultivation, but begins the steady downward spiral of narcotics production that Mexico achieved in the 1970s. The joint evaluation of aerial eradication operations by outside analysts should produce efficiencies in terms of fleet size and effectiveness in both eradication and enforcement. Parallel effectiveness is required in interdiction and enforcement, particularly in arresting and convicting major figures like Felix Gallardo, in finding and destroying heroin laboratories, and breaking the cocaine connection with Colombian traffickers. Surveys of opium poppy and marijuana should improve in 1987 and assist in planning eradication strategies.

Bolivia must demonstrate that it has the political will to sustain a crop eradication and interdiction program for as many years as it takes to contain the problem. President Paz Estenssoro displayed the political will in the joint US-GOB enforcement campaign, Operation Blast Furnace, and his Administration and the U.S. government are reaching agreement on a new approach and commitment to crop eradication as this report neared publication. A new GOB narcotics control plan was certified to Congress by President Reagan in early 1987, and an agreement on principles of cooperation on narcotics control was concluded on February 25. These principles guide the further negotiation of annexes which will implement the Bolivian plan; the annexes including a new INM program agreement should be signed within 45-60 days.

The agreement and annexes will call for voluntary eradication, commencing in 1987, supported by a new law that would designate the Yungas area as the sole region for licit coca production (not to exceed 10,000 metric tons annually), and outlaw coca production in all other areas, such as the Chapare. The proposed agreement relies heavily on the ability of a continuing interdiction effort by GOB forces, using U.S. loaned helicopters, to reduce prices farmers can earn for coca, replicating the success of Operation Blast Furnace. The goal of the Bolivian government is to eradicate 30,000 to 50,000 hectares (their estimate of total cultivation) within the first 12 months of a voluntary eradication program, drawing on non-cash assistance to assist farmers in seeking alternative livelihoods. The agreement calls for minimum eradication of 1,800 hectares in the first 12 months of the program. After the 12-month voluntary program, the Bolivian government would eradicate all other illicit coca, over a period of two years.

Peru has adopted a nationwide plan for drug control, which is being certified to the U.S. Congress, and in 1987 will continue to pursue the "second front" in the Upper Huallaga Valley. Cultivation is now concentrated in less accessible areas and INM will provide aircraft support for interdiction and eradication operations, as Peru attempts to bring eradication totals up to and beyond the 6,000 hectare level called for in original program agreements. There is need to improve on seizures while continuing the efforts to find and destroy cocaine labs and landing strips.

Colombia deserves considerable praise for withstanding the onslaught of narcotics traffickers whose mindless killings of judges, policemen, journalists and others will only cease when they are convinced by long-term jail sentences, disruption of their operations, and seizure of their assets that they will no longer be tolerated in Colombia. Colombia is encouraged to strengthen its prosecutorial systems. The apprehension and swift extradition of Carlos Lehder was extraordinary, and hopefully will be followed by the arrests of others in the Medellin cartel, like Pablo Escobar and Jorge Ochoa. The GOC could drive marijuana production below the 1,000 metric ton level in 1987, using the increased resources provided by INM. The 1987 program anticipates that all of the requirements for an aerial herbicidal campaign against coca will have been met, and the GOC can commence its program, which contemplates the eradication of 8,000 hectares. Support is also provided to continue the vital program to seek out and destroy cocaine laboratories, an increasingly hazardous undertaking which pits the National Police Special Anti-Narcotics Unit (SANU) against well-armed traffickers.

Jamaica approved plans for herbicidal eradication of marijuana. The United States is providing aircraft maintenance and logistic support for eradication and interdiction.

Interdiction in this region has improved but should achieve significant results in 1987. The Bahamas task force recommendations should be swiftly implemented; expansion of the OPBAT fleet and the installation of new radar will add strength to efforts to stop trafficking in cocaine and marijuana. Experience teaches that improved results in one or two countries send traffickers to other areas; the United States will continue exploring regional approaches to containment. INM continues to give priority to these containment programs, supported from its Latin American regional account. Manual eradication should suffice for the remaining marijuana crops in Panama, but chemical eradication programs will still be needed in Belize. The containment strategy which has worked well in those countries must be equally effective in curbing new production efforts in Guatemala, Costa Rica, Brazil, Paraguay and Venezuela, and stopping the refining of cocaine and other products in new laboratories in Argentina and elsewhere, as well as transhipments through Haiti and the Dominican Republic. Continued emphasis is also needed on Operation ChemCon which has been effective in controlling shipments of precursor chemicals to cocaine labs.

Justice officials and others should determine early in 1987 the benefits obtainable from Panama's new narcotics laws, as part of an effort to upgrade the U.S. effort to disrupt money laundering throughout the region.

Asia and Africa

The very special concern in Asia is the rapidly growing demand in South and East Asia for opiates which will probably remain unchecked for the balance of the 1980s.

While helping in demand reduction, and urging a response from the international community, INM's immediate focus is expanding the scope of eradication and interdiction programs in Asia, and providing the training needed to upgrade narcotics enforcement in selected countries in Africa.

Burma has undertaken one of the largest eradication programs in narcotics control history, only to see it fall behind trafficker efforts in 1986 to expand opium poppy cultivation. Lacking political or police control of the primary growing areas, Burma is heavily reliant on its aerial eradication program, which INM has supported by providing five fixed-wing aircraft, while also supporting other fixed and rotary-winged craft in the program..

Thailand, already a net importer of opium to service its large opium and heroin addict populations, will continue to drive down net opium cultivation within its borders in 1987. However, Thailand remains a major transit and refining point for Golden Triangle opiates, and the goals in 1987 include arrests of major traffickers and making further inroads on the opium traffic, in part through the border interdiction project which INM supports. The United States also supports Thai efforts to eradicate marijuana.

There is a critical need for the civilian government of Pakistan to reinforce its long-standing ban on opium cultivation which was effectively applied earlier in this decade. Production will remain high in 1987, for a second year, but, this year should see the groundwork laid for sustained reductions. Plans are complete for an aerial herbicidal eradication program in the Gadoon area for the balance of the 1986-87 harvest, and outreach programs will increase to other growing areas which the United States wants to see scheduled for the development and eradication-linked strategy begun in 1983. The tribal areas now become the key to poppy control in Pakistan. Much of the increased opium production in Southwest Asia is a response to local demand; Pakistan is still the dominant refiner of heroin intended for Western addicts. INM will continue to support expansion of the Joint Narcotics Task Forces and hopes to see improvement by these Task Forces and Pakistani Customs and other police units in destroying heroin laboratories, seizing contraband arresting major traffickers and breaking up distribution rings.

Turkey has proved effective in preventing diversion from its licit opium production, and has made inroads on illicit heroin refining and illegal opium cultivation. But, Turkey remains a major transit route to Europe and the United States. The National Police and Jandarma are responsible for interdicting illicit narcotics from Iran, Afghanistan and Pakistan, as well as controlling licit domestic opium production, and will continue to be supported by INM in 1987.

The additional funding INM received in 1987 will permit assistance to Egypt, India, Nepal, Jordan, Sri Lanka, Malaysia, Indonesia, Nigeria, Kenya and Mauritius, all of which have experienced recent increases in drug trafficking.

Other 1987 Agendas

The Department will continue to support a variety of international programs and agencies, including INM contributions to the United Nations Fund for Drug Abuse Control, which supports multilateral law enforcement efforts in

Southwest and Southeast Asia, Africa and South America. The goal is to promote further utilization and support for the Fund in 1987, in both volume and by number of countries.

Support continues for the law enforcement training and executive observation programs managed by DEA and Customs.

INM will promote an even more comprehensive interagency program in 1987. Collaboration with DEA, which customarily includes a broad range of interactions overseas on planning and executing eradication and interdiction programs, and joint planning of strategies in Washington, should intensify as INM builds and deploys its regional air wings. The two agencies will also work closely on the new narcotics rewards program.

A key agenda for INM, DEA and the narcotics intelligence community will be the upgrading and refinement of narcotics data. Priorities here include not only better data on cultivation, yield, net production, refining and distribution, but also on assessments of trafficking organizations, patterns, money laundering methods, and other information which will permit State, Justice and others more accurate assessments of their organizational vulnerabilities.

The FY 1988 Budget

Planning for the proposed FY 1988 budget was based upon a FY 1987 Congressional request of $65,445,000. Through the Anti-Drug Abuse Act of 1986 (PL 99-570), INM received an additional $53,000,000, bringing the FY 1987 budget to a total of $118,445,000. A spending plan adjusting the 1987 budget to reflect additional appropriations was submitted to Congress in December.

Latin America. For FY 1988, the request supports a full-fledged aerial campaign against cannabis in Colombia, as well as continuing experiments with aerial eradication of coca, and a continuing program to suppress cocaine refining. INM will continue aerial eradication of cannabis in Belize and Mexico and support improved implementation of the Mexican campaign against opium poppies. The inter-regional air fleet will be expanded in 1987. Current planning calls for introduction of aerial eradication testing of coca to Ecuador in 1987. INM will continue to explore extension of herbicidal eradication into Peru where an expanded eradication front began in FY 1986-87. (The circumstances of production in Peru make it unlikely, however, that we will move beyond manual eradication during 1987-88.) FY 1988 resources will also support coca eradication programs in Bolivia, anticipating completion of a program now under negotiation to implement in 1987 the renewed Bolivian Government commitment. Jamaica will also continue to receive funding for aircraft support for interdiction operations and chemical and manual eradication activities. (In previous years Jamaica was supported from the Latin America Regional fund.)

Enforcement assistance will continue to play a dominant role in the Peruvian and Bolivian programs where there is an overwhelming need to provide security for other narcotics control efforts. Modest amounts are included in various country programs for drug abuse education/prevention to provide technical assistance to countries trying to cope with drug abuse problems.

Eradication programs for countries such as Panama, Belize, Costa Rica and Guatemala are included in the Latin America Regional program account.

East Asia. The aerial eradication program begun in 1985 by the Socialist Republic of the Union of Burma (SRUB) with U.S. Government-funded aircraft, equipment, and training, has allowed the SRUB to destroy opium poppy in previously inaccessible areas controlled by anti-government insurgents. Funds are included in the FY 1988 budget to procure replacement fixed-wing and rotary-wing transport aircraft which will enable the Burmese Government to carry out further operations aimed at narcotics producing and trafficking. INM will also support the ongoing program to maintain and repair rotary-wing and fixed-wing aircraft previously supplied to the Burma Air Force.

The FY 1988 budget provides increased funding to help the Royal Thai Government further reduce opium poppy cultivation by continuing assistance to farmers who agree not to cultivate poppy or whose poppy crop is eradicated. The joint goal is the elimination of commercial opium production in Thailand by 1990. Funds are also included to continue support to Thai paramilitary forces who interdict trafficking and refining along the Thai/Burma border and to enhance the narcotics investigation capabilities of police units.

Southwest Asia. Much of the funding for the development assistance programs that facilitate Pakistani enforcement of the ban on opium cultivation is being provided by the United States and other donors through the UNFDAC-administered Special Development and Enforcement Program. In FY 1988, INM plans to support the extension of Pakistan's ban on opium poppy cultivation by introducing improved agricultural crops and by making minor improvements on irrigation systems as part of INM's continuing agricultural outreach program in the Malakand and Dir areas. INM will also pursue other outreach activities to prevent the spread of opium poppy cultivation and to help poppy growers substitute other new crops in areas where major development assistance projects are not being carried out.

INM will continue to provide commodities to support the narcotics interdiction capabilities of both the Turkish National Police and the Jandarma. Funding is included for a regional telecommunications advisor in Pakistan to work with counterparts in Turkey, Pakistan, Burma, Thailand, and other countries in the region. Limited commodity support for other enforcement activities in Southwest Asia may also be provided as requirements are identified.

International Organization and Inter-Regional Training. Under the FY 1988 international narcotics control training program, INM will fund U.S. Drug Enforcement Administration and U.S. Customs Service training of approximately 2,100 foreign officials from 40-45 countries through 43 in-country programs, 14 programs in the United States, and 30 Executive Observation Programs. There will also be increased emphasis on other INM-sponsored programs, e.g., maritime interdiction training and narcotic detector dog training.

The INM demand reduction program contributes to international narcotics control by mobilizing support for narcotics control policies and programs in key producer and transit countries. These projects encourage greater political and public awareness of the link between domestic drug abuse, international trends in production and trafficking, and the steps which societies and governments can take to control the problem. The program also provides technical assistance in the areas of drug abuse prevention, treatment, and related research to help countries such as Pakistan, Ecuador, and Bolivia deal with their domestic drug problems.

The FY 1988 International Organizations budget will provide funding for the United Nations Fund for Drug Abuse Control (UNFDAC), Colombo Plan efforts for regional narcotics control activities, and expanded drug education and prevention programs in selected countries.

1987 Legislative Agenda

The amendments we seek include changing the certification process required by Sec. 481(h), as amended by P.L. 99-570.

As amended by P.L. 99-570, the Anti-Drug Abuse Act of 1986, the implementation of security and development assistance programs have been complicated by the requirements for certifying the adequacy of cooperation on narcotics control. The provisions compel the Department to (a) predict which countries will meet the criteria as major drug producing and major drug transit countries, and (b) withhold at least 50 percent of allocated assistance until March 31, when necessary certifications will be issued and become effective. This caused particular problems in implementing the FY 1987 assistance program for Jamaica, and other problems are anticipated this year and in the future.

The proposed changes would preserve the core of the existing certification process, but eliminate the detrimental operational impacts. The changes are: (1) the restriction on providing assistance to major producers or transit countries would not apply to the current fiscal year (the year of certification) but would apply to the following year after which the certification decision is made; (2) NATO members would not be subject to certification, but could be reported on in the Department's annual report, if their narcotics production or trafficking met the standard; (3) the cut-off of funds prospectively applies only to the twenty most significant producer countries and twenty most significant transit countries, as determined by minimum quantitative standards (current law has no objective standards for defining major transit countries).

We recommend the repeal of Sec. 2013 of P.L. 99-570. These reports are unnecessary and duplicative, given the wealth of information provided by the INCS, and needlessly complicate the provision of foreign assistance.

We think the withholding of INM eradication funds for Mexico, pursuant to Section 2030 of P.L. 99-570, is an ill-considered step by the Congress, in effect reducing the level of effort of the opium and marijuana eradication campaigns, which benefit the United States, until prosecution is complete in the Camarena and Cortez cases. We and Justice share your concern and priority for the success of these prosecutions. But, no purpose is served by linking eradication funds to the judicial process.

We understand why Congress sought, in Sec. 2003, to compel INM and other bureaus to retain title to aircraft, but, your sanction is too sweeping and interferes with our legitimate conduct of our narcotics program. We need flexibility, that is simply not provided by the long-term loan or lease arrangements afforded by this statute. Your goal, as we know it, was to compel us to retain title to our regional air wing and also to preclude us from giving title to additional aircraft for Mexico. We have every intention of keeping title to the regional airwing, because we need maximum control over its deployment. We are awaiting the outcome of an independent evaluation of the Mexican narcotics airfleet, which we believe will inevitably lead to downsizing and more efficiency. We are willing to defer further arguments on titling for aircraft for Mexico until we have shared the results with you. But, your concerns in these two areas should not result in a global restriction on our ability to assign aircraft.

PREPARED STATEMENT OF SENATOR JOHN GLENN

THANK YOU, MR. CHAIRMAN, FOR THIS OPPORTUNITY TO DISCUSS THE ADMINISTRATION'S PROPOSED AID PACKAGE TO PAKISTAN. WEBSTER DEFINES DILEMMA AS: "A SITUATION REQUIRING A CHOICE BETWEEN EQUALLY UNDESIRABLE ALTERNATIVES". "DILEMMA" PERFECTLY DESCRIBES THE SITUATION WE ARE IN WITH REGARD TO THE ADMINISTRATION'S PROPOSED SIX YEAR AID PROGRAM TO PAKISTAN.

DILEMMA, IN THAT WE WANT TO AID PAKISTAN. WE SHARE COMMON OBJECTIVES WITH PAKISTAN IN THE ASIAN SUB-CONTINENT; LIMITING SOVIET INFLUENCE, ENCOURAGING POLITICAL AND ECONOMIC DEVELOPMENT, AND REDUCING PROSPECTS FOR ANOTHER WAR BETWEEN INDIA AND PAKISTAN.

OF COURSE WE UNDERSTAND THEIR CONCERNS ABOUT INDIA.

OF COURSE WE SHARE THEIR CONCERNS ABOUT THE SOVIET INVASION OF AFGHANISTAN AND WHETHER THAT IS BUT PREFACE TO EVEN FURTHER SOVIET MOVES INTO SOUTH ASIA.

OF COURSE WE SHARE THEIR CONCERN ABOUT THE DIFFICULTIES IN COPING WITH THE MORE THAN THREE MILLION AFGHAN REFUGEES NOW IN PAKISTAN.

AND, OF COURSE IT IS IN OUR MUTUAL INTEREST TO CONTINUE THE

ARMS FLOW TO THE "MUJAHEDDIN," THE AFGHAN FREEDOM FIGHTERS TRYING TO DRIVE SOVIET INVADERS FROM THEIR HOMELAND.

BUT THOSE ARE CURRENT CONCERNS. MUCH AS WE WANT AND VALUE ALL THE ABOVE, THERE ARE LONGER TERM WORLDWIDE NUCLEAR WEAPONS PROLIFERATION CONSIDERATIONS THAT MUST BE CAREFULLY WEIGHED, LEST SHORT TERM CONSIDERATIONS EFFECTIVELY WRECK THE NON-PROLIFERATION TREATY (NPT), THE NUCLEAR NON-PROLIFERATION ACT (NNPA), THE PROVISIONS OF THE FOREIGN ASSISTANCE ACT, AND IN THE PROCESS ENCOURAGE THE SPREAD OF NUCLEAR WEAPONRY.

THESE ARE NOT EASY DECISIONS, AND "HORNS-OF-A-DILEMMA" WELL DESCRIBES MY VIEW REGARDING APPROVAL OR DISAPPROVAL -- "EXIGENCIES OF THE MOMENT" VERSUS THE EVEN GREATER POTENTIAL OF FUTURE NUCLEAR HOLOCAUST. IT'S THAT STARK.

TO UNDERSTAND THIS FULLY, WE NEED TO BRIEFLY REVIEW WHAT HAS HAPPENED WITH NUCLEAR CONTROL EFFORTS THROUGH THE YEARS.

THE POST WWII PROPOSAL OF BARUCH AND LILIENTHAL TO PUT ALL-THINGS-NUCLEAR UNDER SOME FORM OF INTERNATIONAL CONTROL DID NOT MATERIALIZE.

BUT IN THE ENSUING YEARS, IF THE U. S. WAS OCCASIONALLY MISGUIDED AND NAIVE IN ITS RUSH TO SPREAD NUCLEAR TECHNOLOGY FOR THE BENEFIT OF MANKIND, WE MADE UP FOR IT WITH OUR LEADERSHIP IN NUCLEAR NONPROLIFERATION ACTIVITIES.

IT WAS THE UNITED STATES THAT TOOK UP THE CHALLENGE TO CREATE AND BRING INTO FORCE THE NUCLEAR NONPROLIFERATION TREATY. MORE THAN 130 NON NUCLEAR WEAPON STATES ARE NOW SIGNATORIES TO THE TREATY, WHICH WENT INTO FORCE IN 1970. NATIONS AROUND THE WORLD HAD BECOME INCREASINGLY CONCERNED THAT WITH THE SPREAD OF NUCLEAR TECHNOLOGY AND THE VERY SOPHISTICATED EQUIPMENT TO EXERCISE THAT TECHNOLOGY, IT

WOULD NOT BE MANY YEARS BEFORE SMALL BORDER CONFLICTS THAT MIGHT HAVE RECEIVED COMPARATIVELY LITTLE NOTICE, MIGHT NOW INVOLVE SUCH WEAPONS OF MASS DESTRUCTION THAT MILLIONS OF LIVES COULD GO IN A FLASH, AND THE POTENTIAL FOR ESCALATION INTO NUCLEAR WWIII WOULD BE ENORMOUSLY INCREASED.

THE NPT BARGAIN SIMPLY PUT, WAS FOR NUCLEAR WEAPONS STATES TO COOPERATE FULLY WITH NON-WEAPONS STATES IN THE PEACEFUL USES OF NUCLEAR ENERGY IN RETURN FOR THE NON-WEAPONS STATE'S AGREEMENT TO GIVE UP ANY PROGRAMS LEADING TO NUCLEAR WEAPON CAPABILITY. THE OTHER PART OF THE AGREEMENT REQUIRES THE WEAPONS STATES TO NEGOTIATE IN GOOD FAITH TO TRY TO REDUCE EXISTING WEAPONS STOCKPILES, NEGOTIATIONS THAT HAVE RECEIVED FAR TOO LITTLE EMPHASIS IN THE YEARS SINCE 1970.

IN ADDITION TO THE NPT, THE GLOBAL NONPROLIFERATION REGIME INCLUDES SUPPLIER AGREEMENTS, SAFEGUARDS ARRANGEMENTS THROUGH THE IAEA, AND NATIONAL NUCLEAR EXPORT LAWS LIKE OUR OWN NUCLEAR NONPROLIFERATION ACT, AND THE SYMINGTON-GLENN AMENDMENTS TO THE FOREIGN ASSISTANCE ACT.

THE SYMINGTON AND GLENN AMENDMENTS SHOULD BE PARTICULARLY NOTED, SINCE THEIR REQUIREMENTS ARE THOSE WHICH PRESIDENT REAGAN SEEKS TO WAIVE. THEY BASICALLY PROVIDE THAT AFTER ENACTMENT IN 1976 AND 1977, AID WOULD BE TERMINATED TO ANY NON-NUCLEAR WEAPONS STATE THAT IMPORTED, WITHOUT SAFEGUARDS, ENRICHMENT OR REPROCESSING EQUIPMENT AND TECHNOLOGY. PRESIDENT CARTER MADE HIS EVALUATION UNDER THOSE LAWS AND CUT-OFF AID TO PAKISTAN IN 1979.

IN THE WAKE OF THE SOVIET INVASION OF AFGHANISTAN, PRESIDENT REAGAN PROPOSED FULLY REPEALING THE AMENDMENTS MAINLY SO AID TO PAKISTAN COULD RESUME. CONGRESS REFUSED THE FULL WAIVER, BUT GAVE A SIX YEAR WAIVER FOR PAKISTAN ONLY WITH CERTAIN CONDITIONS ATTACHED. AT THE MOMENT THESE CONDITIONS ARE THAT THE PRESIDENT MUST CERTIFY

EACH YEAR THAT (1) "PAKISTAN DOES NOT POSSESS" AN EXPLOSIVE NUCLEAR DEVICE, AND (2) THAT U. S. AID WOULD HELP STEER PAKISTAN AWAY FROM PRESSING FOR THE NUCLEAR OPTION.

WHILE 132 NATIONS HAVE PLACED THEIR INTERESTS UNDER THE UMBRELLA OF NPT, A NUMBER OF COUNTRIES OF PARTICULAR PROLIFERATION CONCERN HAVE REFUSED TO SIGN THE NPT. AMONG THESE ARE PAKISTAN, INDIA, SOUTH AFRICA, ISRAEL, ARGENTINA, BRAZIL.

U. S. POLICY DECISIONS IN THE NUCLEAR AREA, EVEN WHEN MADE IN THE CONTEXT OF ONE COUNTRY SUCH AS PAKISTAN, HAVE A SERIOUS RIPPLE EFFECT ON THE ENTIRE NONPROLIFERATION REGIME. THE REGIME IS FRAGILE, AND REQUIRES CONSTANT VIGILANCE TO KEEP IT INTACT. THERE ARE SIGNERS OF THE NPT WHO, PRIOR TO LAST YEARS FIVE YEAR REVIEW OF NPT WERE REPORTED IN THE PRESS TO BE OPENLY WONDERING WHETHER THE BARGAIN HAS BEEN WORTH IT. ANY LACK OF RESOLVE ON THE PART OF THE UNITED STATES TOWARD PREVENTING THE SPREAD OF NUCLEAR WEAPONS -- ANY RELAXATION OF COMMITMENT BY THE WORLD'S NONPROLIFERATION LEADER -- DANGEROUSLY WEAKENS THE GLOBAL REGIME. IF THE REGIME WERE TO COLLAPSE, THE HOPES OF MANKIND FOR A WORLD WITHOUT OR EVEN WITH FEW NUCLEAR NATIONS WOULD COLLAPSE WITH IT.

THIS IS THE PRISM THROUGH WHICH ONE MUST VIEW BOTH FACTS AND POLICY DECISIONS ABOUT PAKISTAN. WHAT ARE THE FACTS?

FOLLOWING THE INDIAN "PEACEFUL NUCLEAR EXPLOSION" (PNE) IN 1974, PAKISTAN PRESIDENT BHUTTO VOWED PAKISTANIS "WOULD EAT GRASS" IF NECESSARY, TO GAIN A SIMILAR CAPABILITY, AND THEIR PROGRAM WAS LAUNCHED.

THROUGH THE YEARS, PAKISTANI OFFICIALS HAVE REPEATEDLY DENIED HAVING A NUCLEAR WEAPONS PROGRAM ALTHOUGH AVAILABLE INFORMATION INDICATED JUST THE OPPOSITE. I PERSONALLY RECEIVED SUCH ASSURANCES

TWO YEARS AGO FROM PAKISTAN PRESIDENT ZIA AND OTHER TOP OFFICIALS DURING A VISIT TO PAKISTAN.

SUCH ASSURANCES HAVE BEEN USED BY THE ADMINISTRATION TO JUSTIFY AID TO PAKISTAN, EVEN THOUGH SUCH ASSURANCES WERE BELIEVED TO BE HIGHLY SUSPECT BY MOST INTERESTED OBSERVERS.

BUT PRESIDENTIAL ABILITY TO HONESTLY "CERTIFY" PAKISTAN'S NON-NUCLEAR WEAPONS CONDITION IS CHANGING DRASTICALLY.

IN 1979, AS A RESULT OF PAKISTAN'S VIOLATION OF THE SYMINGTON-GLENN AMENDMENTS TO THE FOREIGN ASSISTANCE ACT, THE CARTER ADMINISTRATION, AS STATED, HALTED ECONOMIC AND MILITARY ASSISTANCE TO PAKISTAN. FOLLOWING THE SOVIET INVASION OF AFGHANISTAN, THE REAGAN ADMINISTRATION SUCCEEDED IN CONVINCING CONGRESS TO RESTORE THIS AID AS A QUID PRO QUO FOR PAKISTANI COOPERATION IN ALLOWING WEAPONS TO BE FUNNELED TO THE AFGHAN REBELS. BUT THE ADMINISTRATION FAILED AT THAT TIME TO PRESSURE MR. ZIA INTO PROVIDING ANY GUARANTEES THAT PAKISTAN WOULD HALT DEVELOPMENT OF THE BOMB IN RETURN FOR THE AID. NONETHELESS, THE ADMINISTRATION LED CONGRESS TO BELIEVE THAT NUCLEAR RESTRAINT ON THE PART OF PAKISTAN WOULD BE A CONSEQUENCE OF THE U. S. AID PROGRAM. IN 1981, THEN SECRETARY OF STATE ALEXANDER HAIG SAID, IN A LETTER TO THEN SENATOR PERCY:

> . . .BY PROVIDING PAKISTAN WITH CONVENTIONAL MILITARY EQUIPMENT IN THE FRAMEWORK OF A BILATERAL RELATIONSHIP OF CONFIDENCE AND MUTUAL UNDERSTANDING, THE UNITED STATES WILL BE IN A BETTER POSITION TO INFLUENCE THE SHAPE AND DIRECTION OF PAKISTAN'S NUCLEAR PROGRAM IN THE FUTURE.

SIX YEARS AND MORE THAN $3 BILLION LATER, WE SEE PAKISTAN POISED AT THE NUCLEAR THRESHOLD. VERY CREDIBLE PRESS REPORTS

INDICATE THAT PAKISTAN IS MANUFACTURING AND TESTING COMPONENTS FOR NUCLEAR WEAPONS. A NEWLY RELEASED AUTHORITATIVE STUDY BY THE CARNEGIE ENDOWMENT -- ALONG WITH RECENTLY REPORTED STATEMENTS BY PAKISTAN'S PRESIDENT AND ITS TOP NUCLEAR SCIENTIST -- SUGGEST THAT PAKISTAN IS NOW CAPABLE OF MANUFACTURING A NUCLEAR EXPLOSIVE DEVICE. THESE ARE BUT TWO RECENT ADDITIONS TO THE LONG HISTORY OF PAKISTAN'S PURSUIT OF THE BOMB. I WOULD LIKE TO SUBMIT FOR THE RECORD A 26 PAGE CHRONOLOGY OF THESE EVENTS THAT HAS BEEN PREPARED BY THE CONGRESSIONAL RESEARCH SERVICE, TO APPEAR AT THE END OF MY STATEMENT.

IT IS NOW AMPLY CLEAR THAT PAKISTAN GAINED THE STATUS OF "NUCLEAR THRESHOLD STATE" DURING THE PERIOD WHEN U. S. ASSISTANCE WAS AT ITS HIGHEST LEVEL. THE AMERICAN TAXPAYER HAS A RIGHT TO ASK HOW MUCH "NUCLEAR RESTRAINT" HIS PREVIOUS TAX DOLLARS HAVE PURCHASED IN PAKISTAN, BEFORE ANOTHER FOUR BILLION ARE PROVIDED.

ADMINISTRATION SPOKESMEN POINT TO PAKISTAN'S FAILURE TO TEST A NUCLEAR DEVICE AS AN INDICATOR OF THE RESTRAINT THAT OUR AID HAS PRODUCED, WHICH IGNORES NUMEROUS PRESS REPORTS THAT PAKISTAN HAS BEEN WORKING WITH A "PROVEN" CHINESE DESIGN. THE ADMINISTRATION HAS GIVEN INDICATIONS OF A WILLINGNESS TO BEND OVER BACKWARDS TO AVOID AN HONEST APPLICATION OF THE TEST OF "POSSESSION" OF A NUCLEAR DEVICE BY PAKISTAN IN ORDER TO KEEP THE AID FLOWING. IT IS APPARENT BY THEIR REFUSAL TO GIVE A CLEAR INTERPRETATION OF THE MEANING OF "POSSESSION" THAT THEY WOULD HAVE US BELIEVE THAT A COUNTRY DOES NOT POSSESS NUCLEAR WEAPONS UNTIL IT HAS ASSEMBLED EVERY LAST COMPONENTS IN A BOMB CASING. BEFORE WE ACCEPT THIS CURIOUS DEFINITION, WE WOULD BE WELL ADVISED TO RECALL THAT THE ENTIRE UNITED STATES NUCLEAR ARSENAL IN THE 1940'S AND THE EARLY 1950'S WAS STORED IN SEPARATE COMPONENTS. I WOULD LIKE TO SUBMIT FOR THE RECORD AN EXCERPT FROM A 1984 U. S. ARMY REPORT ON THE SAFE STORAGE OF NUCLEAR WEAPONS. [TEXT SUBMITTED HERE]

ONE OF THE FUNDAMENTAL PROBLEMS IN THIS AFFAIR IS THE COMPLETE LACK OF CREDIBILITY OF THE PAKISTANI GOVERNMENT'S REPEATED ASSURANCES ABOUT THE NATURE OF THEIR NUCLEAR PROGRAM. MORE THAN A YEAR AGO, THE PRESIDENT ELICITED ADDITIONAL ASSURANCES FROM PAKISTAN THAT THEY WOULD NOT PRODUCE URANIUM ENRICHED TO MORE THAN 5%. BY THEIR OWN ADMISSION, THEY HAVE NOW PRODUCED BOMB GRADE URANIUM ENRICHED TO MORE THAN 90%. AND AMERICA, THE NATION THAT HAS SUPPOSEDLY BEEN STANDING TALL FOR THE PAST SIX YEARS, HAS LET THIS MENDACIOUS BEHAVIOR GO UNCHALLENGED.

WHY? BECAUSE THE ADMINISTRATION HAS MADE THE DECISION THAT, AS FORMER PAKISTAN PRESIDENT BHUTTO TERMED IT, THE "ISLAMIC BOMB" IS LESS IMPORTANT TO US THAN ENSURING MILITARY ASSISTANCE TO THE AFGHAN REBELS. MUCH AS I WANT TO SEE ASSISTANCE CONTINUE TO THE AFGHANS, THAT EVALUATION IS WRONG.

LET ME GIVE JUST ONE ILLUSTRATION.

TO USE PRESIDENT BHUTTO'S WORDS AGAIN, AN "ISLAMIC BOMB" IS THE ULTIMATE THREAT TO ISRAEL'S EXISTENCE. PAKISTANI NUCLEAR WEAPONS PRODUCTION WILL SOONER OR LATER, WHETHER BY DESIGN OR BY ESPIONAGE, RESULT IN THE WIDER TRANSFER OF NUCLEAR WEAPONS TECHNOLOGY TO COUNTRIES IN THE MIDDLE EAST. ISRAEL, REGARDLESS OF THE STATE OF HER OWN NUCLEAR CAPABILITIES, WILL HAVE HER EXISTENCE THREATENED. THE FLASH POINT FOR NUCLEAR WAR WILL BE LOWERED THROUGH THE COMBINATION OF RELIGIOUSLY-BASED CONFLICT WITH THE MEANS FOR MASS DESTRUCTION.

AMAZINGLY, HOWEVER, IT ISN'T ONLY THE PAKISTANI BOMB THE ADMINISTRATION WANTS US TO SWALLOW IN ORDER TO GUARANTEE AID TO THE AFGHAN REBELS THROUGH PAKISTAN. THEY WANT US ALSO TO CONTINUE -- WITHOUT ANY NEW NUCLEAR RESTRICTIONS -- SUPPLYING PAKISTAN WITH F-16s AND PERHAPS AWACS SO THAT PAKISTAN WILL HAVE WHAT COULD BE AN AMERICAN MADE NUCLEAR WEAPONS DELIVERY SYSTEM AND AN ABILITY TO

PROTECT HER NUCLEAR WEAPONS FACILITIES FROM RAIDS BY THOSE WHO MIGHT NOT THINK AN ISLAMIC BOMB IS A BENIGN DEVELOPMENT.

MR. CHAIRMAN, IN RECENT MONTHS WE HAVE SEEN WHAT CAN HAPPEN WHEN A NATION FORSAKES AN IMPORTANT GLOBAL POLICY PRINCIPLE FOR NARROW, ILLUSORY BENEFITS. WE SACRIFICED OUR GLOBAL ANTI-TERRORISM POLICY IN THE HOPE THAT WE COULD TRADE ARMS TO IRAN FOR AMERICAN HOSTAGES. NOW WE ARE BEING ASKED TO SACRIFICE OUR GLOBAL NONPROLIFERATION POLICY IN THE HOPE THAT WE CAN TRADE ARMS TO PAKISTAN FOR PAKISTANI COOPERATION ON AFGHANISTAN AND NUCLEAR RESTRAINT. WHAT DO WE THEN SAY TO ARGENTINA OR BRAZIL OR SOUTH AFRICA OR THE NATIONS OF THE FAR EAST OR ANY OF THE 132 NPT SIGNERS ABOUT CREDIBILITY OF THE UNITED STATES AND TRUST IN U. S. NUCLEAR NON-PROLIFERATION POLICY?

MR. CHAIRMAN, I, LIKE THE PRESIDENT, WANT TO AID THE AFGHANS. JUST AS I, LIKE THE PRESIDENT, WISHED FOR THE RELEASE OF AMERICAN HOSTAGES. BUT WE CANNOT AND SHOULD NOT ALLOW OURSELVES TO BE BLACKMAILED INTO MAKING A DEAL THAT WILL DO IRREPARABLE DAMAGE TO OUR LONG TERM GLOBAL EFFORTS TO STOP THE SPREAD OF NUCLEAR ARMS. THE BASIC OBJECTIVE OF NUCLEAR NONPROLIFERATION SHOULD NOT BE SO EASILY BARGAINED AWAY.

ACCORDINGLY, ON MARCH 5TH, I URGED PRESIDENT REAGAN TO SUSPEND MILITARY AID TO PAKISTAN PENDING A THOROUGH REVIEW OF THE PAKISTANI NUCLEAR PROGRAM. I ARGUED THAT THIS AID SHOULD NOT BE RESUMED UNTIL WE HAVE OBTAINED RELIABLE ASSURANCES THAT PAKISTAN IS NO LONGER PRODUCING NUCLEAR EXPLOSIVE MATERIALS.

MY PURPOSE HERE TODAY, HOWEVER, IS TO SUGGEST LEGISLATIVE ACTION ON THE PROPOSED SIX-YEAR AID PACKAGE TO PAKISTAN TO BEGIN IN FY 88. THE ADMINISTRATION HAS REQUESTED APPROVAL OF THIS PACKAGE WITHOUT ANY RESTRICTIONS ON PAKISTANI NUCLEAR BEHAVIOR. THIS IS

COMPLETELY UNACCEPTABLE. THE QUESTION ISN'T "SHOULD THERE BE RESTRICTIONS?", BUT "WHAT SHOULD THESE RESTRICTIONS BE?"

PROPOSALS TO LIMIT THE AMOUNT OF MILITARY ASSISTANCE, OR THE LENGTH OF THE PROPOSED AID PROGRAM (E.G. TWO YEARS INSTEAD OF SIX YEARS) SIMPLY FAIL TO CONFRONT THE ONGOING PROGRESS OF PAKISTAN'S NUCLEAR WEAPONS PROGRAM. IN TWO YEARS, WE WILL BE FACED WITH THE SAME TOUGH CHOICES BETWEEN NONPROLIFERATION AND OTHER FOREIGN POLICY INTERESTS THAT WE ARE FACING TODAY. THE ONLY DIFFERENCE WILL BE THAT PAKISTAN, AS WELL AS INDIA, AND PROBABLY ISRAEL, WILL HAVE PROCEEDED EVEN FURTHER DOWN THE NUCLEAR PATH. WITH PAKISTAN NOW ATTEMPTING TO STRADDLE THE NUCLEAR THRESHOLD, CONGRESS CANNOT AFFORD TO DEFER--ONCE AGAIN--OUR RESPONSIBILITY TO MAKE THESE CHOICES.

I AM PROPOSING A SIX YEAR EXTENSION OF THE PRESENT WAIVER OF SECTION 669 OF THE FOREIGN ASSISTANCE ACT TO ALLOW BOTH ECONOMIC AND MILITARY ASSISTANCE TO PAKISTAN. UNDER CURRENT LAW, WHICH I FAVOR CONTINUING, THIS ASSISTANCE WOULD CEASE IF THE PRESIDENT IS UNABLE TO CERTIFY THAT PAKISTAN DOES NOT POSSESS A NUCLEAR EXPLOSIVE DEVICE. THIS CONDITION SHOULD BE SUPPLEMENTED WITH THE FOLLOWING ADDITIONAL REQUIREMENT:

> MILITARY ASSISTANCE SHOULD NOT BE PROVIDED UNLESS THE PRESIDENT IS ABLE TO CERTIFY ANNUALLY TO CONGRESS THAT HE HAS RECEIVED RELIABLE ASSURANCES THAT PAKISTAN HAS CEASED PRODUCING WEAPONS-GRADE NUCLEAR MATERIAL.

BY "RELIABLE ASSURANCES," I MEAN A FORMAL, WRITTEN COMMITMENT BY PAKISTAN'S POLITICAL LEADERSHIP, VERIFIED BY ON-SITE INSPECTIONS OF RELEVANT FACILITIES BY DESIGNATED REPRESENTATIVES OF THE UNITED STATES OR BY ANY OTHER TECHNICAL MEANS THE U.S. FINDS ACCEPTABLE.

IN ADDITION, I AM PROPOSING TO AMEND SECTION 670 OF THE SAME ACT TO REQUIRE THAT, IN THE EVENT OF A NUCLEAR DETONATION BY A NON-NUCLEAR-WEAPON STATE, FUNDS PROVIDED UNDER ALL U.S. LEGISLATION--RATHER THAN JUST THE FOREIGN ASSISTANCE AND ARMS EXPORT CONTROL ACTS--WOULD BE TERMINATED. THIS WOULD INCREASE THE COST OF A NUCLEAR TEST TO ALL NON-NUCLEAR-WEAPON STATES, INCLUDING INDIA, NOT JUST THOSE WITH WHICH WE HAVE CLOSE MILITARY TIES.

WHAT IS THE LIKELIHOOD OF PAKISTAN ACCEPTING THIS NEW CONDITION FOR CONTINUED U.S. CONVENTIONAL MILITARY ASSISTANCE? ISLAMABAD IS SEEKING OUR AID BECAUSE IT HAS SENSIBLY DETERMINED THAT SUCH ASSISTANCE WOULD SERVE ITS NATIONAL SECURITY INTERESTS. PAKISTAN'S SECURITY REWARD FOR TRUNCATING ITS PRODUCTION OF NUCLEAR EXPLOSIVE MATERIALS WOULD BE SUBSTANTIAL; I AM PROPOSING NOT A SCALED DOWN OR SHORTENED AID PACKAGE, BUT A FULL SIX-YEAR, FOUR BILLION DOLLAR ASSISTANCE PROGRAM COMPLETE WITH A PRESIDENTIAL OPTION TO PROVIDE AN AIRBORNE EARLY WARNING SYSTEM.

UNDER MY PROPOSAL, ISLAMABAD WOULD HAVE TO DECIDE BETWEEN AN EXTENDED SECURITY PARTNERSHIP WITH THE UNITED STATES AND THE PRODUCTION OF NUCLEAR WEAPONS. THE RATIONAL CHOICE IS OBVIOUS. NUCLEAR WEAPONS WILL NOT SETTLE BORDER CLASHES BETWEEN PAKISTAN AND INDIA ANY MORE THAN THEY DID BETWEEN CHINA AND THE SOVIET UNION. NOR WILL THEY ASSURE VICTORY IF A CONVENTIONAL WAR BREAKS OUT, AS ILLUSTRATED BY THE U.S. EXPERIENCE IN VIETNAM. THEY WILL, HOWEVER, RAISE THE PROSPECT OF A CONVENTIONAL CONFLICT ESCALATING TO THE LEVEL OF MASS, MUTUAL DESTRUCTION. FURTHERMORE, BY GOADING INDIA INTO A NUCLEAR ARMS RACE THAT PAKISTAN COULD NOT HOPE TO WIN, A DECISION BY ISLAMABAD TO PURSUE NUCLEAR WEAPONS WOULD SEVERELY UNDERCUT PAKISTAN'S NATIONAL SECURITY.

OF COURSE, I HASTEN TO ADD, WE CANNOT GUARANTEE ACCEPTANCE BY THE PAKISTANIS OF THIS PROPOSAL. SHOULD THE CONDITION ON CEASING PRODUCTION OF NUCLEAR WEAPONS MATERIALS BE SPURNED OR VIOLATED BY

THE PAKISTANIS. WE MUST RECOGNIZE AT THAT POINT THAT NO DIPLOMATIC ACTION BY THE UNITED STATES IS LIKELY TO DETER PAKISTAN FROM TRIGGERING A NUCLEAR ARMS RACE IN SOUTH ASIA. IN THAT CASE, WE SHOULD RELUCTANTLY END OUR MILITARY ASSISTANCE, INCLUDING THE SENDING OF SPARE PARTS FOR THE F-16S (THOSE SUPERB NUCLEAR WEAPONS PLATFORMS WE HAVE BEEN PROVIDING TO PAKISTAN FOR THE PAST SIX YEARS), AND CONCENTRATE ON DIPLOMATIC ACTIVITIES AND ON REPAIRING OUR TATTERED NONPROLIFERATION POLICY AS IT APPLIES TO OTHER COUNTRIES OF CONCERN TO US. FOR IF WE FAIL TO TAKE A STAND ON PAKISTAN, WE WILL BE ON A SLIPPERY SLOPE THAT WILL MAKE IT INCREASINGLY DIFFICULT FOR US TO TAKE A STAND AGAINST ANY PROLIFERATOR.

BOTH INDIA AND PAKISTAN ARE NOW JUST A STEP AWAY FROM THE ABILITY TO CREATE ARMAGEDDON. AS A FRIEND OF BOTH NATIONS, WE MUST REDOUBLE OUR EFFORTS TO PREVENT THIS NUCLEAR NIGHTMARE. ULTIMATELY, WE SHOULD SEEK A VERIFIABLE INDIAN COMMITMENT THAT IT TOO IS NOT PRODUCING NUCLEAR MATERIALS -- ESPECIALLY PLUTONIUM -- FOR WEAPONS PURPOSES.

WE SHOULD ENCOURAGE PAKISTAN TO PLACE ITS CURRENT STOCKS OF HIGHLY ENRICHED URANIUM UNDER MULTILATERAL AUSPICES. CONSIDERATION SHOULD ALSO BE GIVEN TO A JOINT PLEDGE BY THE UNITED STATES, SOVIET UNION, AND CHINA NOT TO USE, OR THREATEN TO USE, NUCLEAR WEAPONS AGAINST INDIA OR PAKISTAN.

THE COURSE THAT I AM PROPOSING, THOUGH NOT AN EASY ONE, SEEMS BETTER ORIENTED TO OUR LONG-TERM NATIONAL SECURITY INTERESTS IN SOUTH ASIA THAN IS THE CURRENT POLICY. WE MUST NEVER LOSE SIGHT OF OUR LONG-TERM NATIONAL OBJECTIVES IN THE REGION, WHICH INCLUDE LIMITING SOVIET INFLUENCE, AND PROMOTING THE POLITICAL STABILITY, ECONOMIC PROSPERITY, AND TERRITORIAL INTEGRITY OF ALL NATIONS IN SOUTH ASIA. I CANNOT EMPHASIZE MORE STRONGLY THAT A NUCLEAR ARMS RACE IN SOUTH ASIA WOULD ENDANGER ALL OF THESE OBJECTIVES.

MR. CHAIRMAN, OUR CHOICE IS NOT BETWEEN AFGHANISTAN AND THE PAKISTANI BOMB -- IT IS BETWEEN ACCEPTING OR RELINQUISHING OUR GREAT POWER RESPONSIBILITY TO CONTAIN THE THREAT OF NUCLEAR WAR. THE TIME IS RUNNING OUT. A CHOICE MUST BE MADE.

ONE LAST WORD, MR. CHAIRMAN. THE VIEW OF NON-NUCLEAR WEAPON NATIONS THAT WE HAVE NO RIGHT TO PRESSURE THEM NOT TO STRIVE FOR A NUCLEAR CAPABILITY THAT WE AND OTHER NATIONS ALREADY POSSESS, IS A VALID ONE. IT CAN ONLY BE ANSWERED BY SAYING IT IS IN THE INTERESTS OF ALL HUMANITY TO DO OUR BEST TO CONTROL THE NUCLEAR DANGER BY NOT ONLY PREVENTING NUCLEAR PROLIFERATION, THE MAIN THEME OF THESE REMARKS, BUT BY ALSO SHOWING FAR MORE PROGRESS IN SCALING DOWN EXISTING NUCLEAR WEAPONS STOCKPILES OF THE SUPERPOWERS. THAT WAS PART OF THE NPT AGREEMENT WITH 132 NATIONS. THEY WILL NOT BE PATIENT FOREVER. TIME IS, INDEED, RUNNING OUT.

JOINT PREPARED STATEMENT OF JAMES NORRIS AND ROBERT BELL

We appreciate the opportunity to appear before you today to testify on behalf of A.I.D.'s programs in the Near East and South Asia. The U.S. faces a major challenge in this critical region of the world, and A.I.D. looks forward to working closely with this subcommittee to contribute to resolution of the many complex issues we confront.

A.I.D.'s programs in this region serve a broad range of political and economic objectives. These countries' economies differ greatly and they confront very different development problems, from those of the very poor countries of South Asia to Middle Eastern countries with severe balance-of-payments problems. In much of the region, the United States' own economic interests are growing rapidly as these countries are becoming more important trading partners. Countries in the region also provide vital support for many of the United States' most important foreign policy objectives.

For FY 1988, we are proposing authorization of $251.790 million of Development Assistance and $2,378.3 million of ESF. When combined with $490.3 million of P.L. 480, our total economic assistance request is $3.120 billion. We are also requesting a supplemental appropriation in FY 1987 of $15.0 million of ESF. Assuming enactment of these amounts, our FY 1988 request for total economic assistance is $43 million below the level for FY 1987.

Though the overall level of economic assistance to the Near East and South Asia is large, foreign policy priorities severely constrain our budget. In some cases, particularly for Development Assistance programs in South Asia, the FY 1988 budget continues a pattern begun in FY 1986 and 1987, when budget cuts of over 25% from FY 1985 levels were necessary in some countries. Considering our foreign policy and humanitarian interests and our own economic opportunities in this region, I feel that the FY 1988 request is the minimum necessary to meet our needs.

We must, of course, face the need to reduce our own budget deficit, and I recognize the special political and developmental needs of Central America and Africa. I do feel, however, that we have very important strategic and developmental interests in the Near East and South Asia, and we must ensure they are adequately funded.

In terms of our foreign policy interests, our foreign economic assistance programs in this region support a wide range of our most important interests including peace in the Middle East and containment of Soviet aggression in Southwest Asia.

These countries also represent important development challenges. More people are hungry, more children are born, more children die and there is more illiteracy in the Near East and South Asia than in the rest of the developing world combined. The overriding development concern of A.I.D.'s programs is and will continue to be the vast number of people trapped in deep and oppressive poverty. In addressing this concern, we have several interrelated objectives which we are pursuing:

-- Increased economic growth is essential to reducing poverty. Our strategy is to work with countries to create the policy environment necessary to permit growth. In most cases, this includes a strengthened role for the private sector.

-- Elimination of hunger and malnutrition will depend on the creation of productive employment in rural areas and the growth of rural incomes. New employment must come both in agriculture and labor-intensive enterprise. As incomes grow, the poor will be able to procure food, reducing hunger and at the same time increasing effective demand for domestic agricultural output and for agricultural imports from the U.S.

-- More effective development institutions are necessary to improve performance in a wide range of sectors, from private capital markets to agricultural research. In many cases, this involves training to enhance human resources. Our FY 1988 proposed program will help finance training for over 5,000 participants in the Near East and South Asia region. In many of these countries, former A.I.D. participants have returned to assume important leadership positions in government, in universities and other development institutions, and in the private sector.

-- Improved access to family planning services will enable couples who so desire to control the size of their families. In many cases, population growth in Asia is driven by unwanted births in poor families and results in more hunger, higher infant and maternal mortality and reduced economic productivity of rural women.

-- Reduced child and infant mortality would enhance the lives of millions of families throughout the region. Simple technologies such as Oral Rehydration Therapy and mass immunization programs have already proven feasible. The potential humanitarian impact of successful programs is tremendous, and the improved family security and productivity would have significant economic impact as well.

-- Improved systems for generating and using energy are essential for agricultural and industrial growth. Energy use must continue to grow rapidly throughout the region to permit economic growth and to accommodate increased population growth.

-- Throughout the region, economic growth and population expansion will combine to create substantial additional demands on all resources. In large measure, the ability of these countries to sustain development progress and to maintain an acceptable quality of life for their people will depend on their ability-- with our help-- to manage their natural resources effectively and to protect the environment.

A.I.D.'s Accomplishments

In pursuing these important but complex objectives, we can take considerable satisfaction from our many accomplishments so far. Many countries in the Near East and South Asia region have made significant economic progress over the past several years, much of it attributable to assistance from the U.S. and other aid donors. Others seem to be on the verge of making the difficult policy choices necessary for them to progress as well.

-- Most countries have expanded food production rapidly through the introduction of irrigation and high yielding seeds. As a result, many, particularly in South Asia, are now near market self-sufficiency in food, though substantial additional food must be made available through production and imports to reduce hunger and malnutrition and to feed growing populations.

-- Most of the countries in the region recognize the intense demand on already scarce resources which can be created by rapid population growth and have begun appropriate family planning programs.

-- We have been able to initiate Child Survival programs in most of the major countries in the region, including Egypt, Morocco, Yemen, Pakistan, India, and Bangladesh. Given the potential impact of the new Child Survival technologies, we anticipate these programs will have a substantial impact on infant and child mortality in the region.

-- Finally, we count the progress A.I.D. has made in this region on economic policy issues as among our most important accomplishments. Most countries in the region recognize that an appropriate economic policy framework is essential to economic growth and prosperity and are now prepared to pursue necessary structural adjustment programs. Sometimes the IMF is involved, as in Morocco, Tunisia, Bangladesh and Nepal. In other cases, A.I.D.'s programs continue to support ongoing consultations on an appropriate policy framework.

Aid and U.S. Economic Interests

Successful foreign assistance programs serve our foreign policy interests and support the development prospects of millions of poor people. As important, our foreign aid also serves directly our own economic interests. Many countries in the region are becoming increasingly important trading partners of the U.S., providing new markets for our manufacturing and agricultural exports and helping to control the flow of illegal drugs. There is a positive relationship between aid and trade; continued U.S. participation in these markets, which have tremendous potential for growth and represent important markets of the future, is clearly in our own long-run interest.

U.S. Development Assistance Leadership

Many countries in the Near East and South Asian region have looked to the U.S. to provide leadership in helping them solve their development problems. We have been among the largest of donors and have a proven record of important accomplishments. The U.S. is also an influential voice in multilateral lending institutions such as IDA and the Asian Development Bank. As a result of all these factors, A.I.D. has been able to promote a more coordinated approach among all donors, enhancing the effectiveness of our policy dialogue. We expect to continue to play a leadership role, even though our resources are declining somewhat. We also expect other donors' influence will increase, particularly Japan's as they substantially increase their foreign assistance programs.

In summary, our proposed FY 1988 foreign assistance programs serve a broad range of critical U.S. interests. I would like to comment briefly on our programs in the region.

Near East

These programs help to advance our primary foreign policy goals of strengthening regional political stability in the Near East and the continued development of nations involved in the ongoing Middle East peace process. In addition, these programs provide much needed training, technical assistance, and financial support to poor people and countries. Our assistance helps recipients to increase their incomes and improve the quality of their daily lives.

For Egypt in FY 1988, A.I.D. is proposing $815 million of ESF, the same level as FY 1987. In addition, $182.5 million of P.L. 480 food aid is proposed.

Egypt continues to be critical to achievement of one of the United States' most important foreign policy objectives, peace in the Middle East.

Egypt's economic situation has deteriorated markedly in recent years in spite of high levels of foreign aid from a variety of Western sources. This difficult situation has been compounded by external circumstances stemming from declining world oil prices. The resulting dislocation has outpaced the government's ability to react and to introduce the fundamental structural adjustments needed to accommodate new economic realities. The government has taken some significant steps to promote economic change. However, if it continues to borrow to maintain historic levels of consumption, the prospects for self-sustaining economic growth remain distant. Egypt must accelerate its structural adjustment process and now appears committed to doing so.

This reform effort will be strongly supported by an A.I.D. development strategy designed to help increase productivity and improve the quality of Egyptian life. A broad program of project and nonproject assistance is being directed principally toward improvement of public policies at the macroeconomic and sectoral levels and promotion of Eygpt's private sector. The program concentrates in four major areas:

- balance of payments support to promote stability and growth while the Egyptian Government goes through the difficult process of economic policy reform;

- development of an economic infrastructure;

- improvement of productivity in private sector agriculture and industry; and

- development of human resources.

A.I.D.'s program in Egypt provides both visible evidence of the support and good will of the American people and financial support to help ease an economic adjustment process that is essential to long-term stability and self-sustained economic growth in Egypt.

For Israel in FY 1988, A.I.D. is proposing $1.2 billion of ESF, the same level as FY 1987.

A.I.D.'s cash grant program will support the Israeli Government's continuing efforts to promote productive investment, reform taxes, reduce the role of the public sector and otherwise encourage more efficient use of Israel's resources. The National Unity Government formed in September 1984 has already made substantial economic progresss, reducing inflation sharply and increasing foreign exchange reserves. U.S. support, particularly the supplemental appropriation enacted in 1985, has made an important contribution to the Israelis' own efforts. Through the Joint Economic Development Group, formed by President Reagan and then-Prime Minister Perez, the U.S. will continue to review the appropriate role of U.S. assistance in furthering reform and development.

For Morocco in FY 1988, A.I.D. is proposing $15 million of Development Assistance and $20 million of ESF. In addition, A.I.D. is proposing $43.5 million of P.L. 480. The FY 1987 supplemental request also includes $10 million of ESF for Morocco.

The Government of King Hassan has long been a moderate influence in the Arab world, has frequently supported U.S. policies in the Middle East, and has agreed to permit access and transit by U.S. forces at Moroccan bases in certain contingencies. In the summer of 1986, the King invited the Israeli Prime Minister to Morocco for direct discussion on the Middle East and later withdrew Morocco from the "Union

Agreement" with Libya. Both initiatives advance U.S. interests in moving toward a more peaceful Middle East.

A.I.D.'s development strategy for Morocco emphasizes increased economic growth, increased food supply, reduced population growth and improved primary health care, and improved management of energy and natural resources. A.I.D. will help Morocco achieve adequate and productive investment levels in spite of a severe debt burden as the Moroccans reshape their economy toward greater efficiency and competitiveness

For Tunisia in FY 1988, A.I.D. is proposing $20 million of ESF. In addition, A.I.D. is proposing $5.0 million of P.L. 480.

Tunisia continues to have strategic importance in U.S. planning in the Mediterranean Basin. A moderate Arab state, Tunisia has continued to maintain an open line of communication with the United States in a year marked by growing political problems in the Arab world. However, the serious economic problems which Tunisia now faces threaten the continuation of the stable, open society which has existed in Tunisia since independence.

Between 1980-1985, the average growth rate declined to 3.9%. Oil prices declined sharply and employment of Tunisian manpower in Europe, the Middle East and Libya dropped significantly. The entry of Spain and Portugal into the European Economic Community cut into Tunisian exports. Tourism revenues declined as well. In response, the Tunisian Government began implementation of a far reaching structural adjustment program with the support of the World Bank and the IMF.

A.I.D.'s program will also support Tunisian structural adjustment. This year, a larger share of our funds will be used to finance a Commodity Import Program. Remaining resources will be concentrated on private sector development and agricultural production to help set the stage for self-sustaining economic growth.

The $18 million requested in ESF for Jordan for FY 1988 will continue to fund activities that implement the fundamental strategy change initiated a year ago. With remittances and Arab donor aid down, Jordan's per capita income is expected to fall. In 1986 we and the Jordanians jointly analyzed the major constraints in the economy (rapidly increasing unemployment, a substantial trade imbalance, and a foreign exchange shortage) and decided to shift A.I.D.'s development strategy from the capital intensive public infrastructure projects of the past. Our programs are now focussing increasingly on supporting Jordan's private sector as the central "engine for development."

We will be working with Jordan's public sector to create a more favorable policy environment for the private sector. We will also work with the private manufacturing and services sectors to make them more efficient, productive, and competitive. Jordan is a resource-poor nation in practically everything but people. We want to work with Jordan's people--to support the entrepreneurial spirit that can increase the productivity of the economy and create new jobs and increased foreign exchange.

We will also support Jordan's bold new initiative to upgrade the skills, abilities, and incomes of Palestinians in the West Bank and Gaza. U.S. funds will be used by Jordan to support a variety of projects in such sectors as education, agriculture, and industry. These funds, and those of other donors, will supplement Jordan's own resources of money and people devoted to economic development activities in the West Bank and Gaza.

The $300,000 in ESF requested for Lebanon in FY 1988 will replenish grants to American and indigenous private and voluntary organizations courageously continuing their life-supporting relief and rehabilitation programs. This amount will be supplemented by funds remaining from the supplemental appropriation for Lebanon approved in 1983. We will continue to give first priority to helping the victims of the fighting, those needing food, shelter, medicine, and medical services. U.S. support to American schools in Beirut will also continue--from Regional ESF and ASHA funds.

For Oman in FY 1988, A.I.D. is proposing $20 million. In addition, $5 million is requested in the FY 1987 supplemental. The $20 million requested in ESF for FY 1988 will finance projects and activities planned and administered by the Joint Commission, a successful endeavor of Omanis and Americans working together to deepen the economic dimension of the Omani-U.S. relationship. The funds will be used to develop Oman's scarce water resources, to support fisheries development, and to continue undergraduate and graduate training in the United States. These proposed activities focus on Oman's priority problems: water scarcity, a dearth of skilled Omanis, and the need to develop alternatives to petroleum as generators of foreign exchange.

Oman's economy remains highly dependent on the oil sector, which accounts for most of its income. As world oil prices have declined, Oman's modernization efforts are being scaled back. A.I.D. is concentrating its long-term support on modernization and diversification programs and on training the manpower and developing the scarce arable land and water needed to feed the population.

For Yemen in FY 1988, we are requesting $22 million in DA and $5 million in PL 480 Title I. These funds will be used for continued institutional development in agriculture, including agricultural education, on-farm water use, and technology transfer, and for an assessment of Yemen's primary education system. A.I.D. will continue to emphasize child survival programs, particularly in expanded primary health care systems, and to complete work to improve Yemen's rural water supply. PL 480 Title I will provide needed balance of payments relief and will also generate local currency to be used for activities to increase agricultural production and productivity.

Despite recent oil discoveries, Yemen continues to confront serious economic difficulties. This will not change in any fundamental way when Yemen begins to realize a return from oil exports, probably late next year. Oil production levels will be quite modest. Foreign exchange earnings will probably do no more than offset declining remittances and donor aid. Yemen will continue to need assistance in support of its priority objectives of agricultural growth, exploitation of oil and mineral resources, development of human resources, industrial development, and expansion of education, primary health care, and other social services.

Regionally Funded Programs

Three ESF programs in the Middle East are funded under the Regional account. We are requesting $12 million for our West Bank and Gaza programs. Implemented almost exclusively by U.S. and local private and voluntary organizations, these programs help improve living conditions and expand employment and income earning possibilities for Palestinians residing in the West Bank and Gaza.

We intend to continue a variety of activities covering a broad spectrum of needs and PVO capabilities, including rural development, education and human resource development--from pre-school to vocational and post-graduate training--and health education. We also plan to increase support for private enterprise development. Increasingly, A.I.D.'s thrust in the West Bank and Gaza will be employment and job creation via the private sector. Because of different needs in Gaza, however, A.I.D. will continue to support selected social services and infrastructure building, particularly for environmental sanitation. We are also requesting $1.5 million in Title II commodities to continue assistance to the needy in Gaza and the West Bank.

Our request for $5 million for Regional Cooperation projects will allow A.I.D. to continue supporting activities to strengthen the peace process and increase mutual understanding between Israel and its Arab neighbors, especially Egypt. Current activities focus on agriculture, health, and ocean sciences. We also anticipate proposals for new activities in agriculture-related fields that will expand areas of Israeli-Arab cooperation.

Finally, we are requesting $2 million in support of the American University of Beirut--a venerable institution continuing to serve the region as a model of American ideals, values, and teaching methods.

South Asia

For Afghanistan in FY 1988, A.I.D. is proposing $15.0 million in ESF and $15.0 million in DA funding for a total of $30.0 million, the same as last year. If the current Title II program consisting of wheat and vegetable oil is successful, we anticipate providing assistance in FY 1988 by using funds from P.L. 480 reserves.

The Soviet invasion in 1979 has seriously disrupted economic life in Afghanistan, one of the world's most isolated and economically underdeveloped countries. As war has raged through agricultural valleys, infrastructure, including vitally important irrigation systems, have been severely damaged, causing localized food shortages. The medical situation is especially serious, since thousands are killed and wounded each year. Education has deteriorated considerably-- from substandard to nonexistent in most areas.

The aim of A.I.D.'s program for war affected Afghans is to improve the ability of the Afghans to sustain themselves inside Afghanistan. Eventually, we hope to reduce the flow of refugees and ultimately to encourage voluntary repatriation.

Our assistance in 1988 will build on health, education, agricultural, and commodity programs started in FY 1986 and 1987 with the resistance Alliance. A.I.D. resources will also be granted to the many international and U.S. PVOs which are making valuable contributions in the health sector, education and agriculture. We expect to make available approximately $10 million to these organizations in FY 1988.

In monitoring and accounting for A.I.D. resources, we need to adopt flexible approaches. As we have stated before, normal monitoring and accounting procedures will be practiced within Pakistan and to the extent possible in Afghanistan. Given the unique nature of the program with its attendant security concerns, end-use monitoring and accounting may vary with individual activities as situations warrant. Hence a variety of approaches may be used.

For Pakistan in FY 1988, A.I.D. is proposing $50 million in Development Assistance and $250 million of ESF. In addition, $80 million of P.L. 480 Title I is proposed. FY 1988 is the first year of a proposed six year program of $2.28 billion in economic assistance. The FY 1988 level is $25 million higher in Development Assistance and $30 million higher in P.L. 480 than FY 1987.

U.S. assistance to Pakistan is designed to help preserve and promote the economic and political stability of a front-line state which, in addition to its own development concerns, must deal with the multiple domestic consequences of a ruthless war across and along its borders waged by the Soviet Union. The Soviet occupation of Afghanistan has forced nearly 3 million Afghans to take refuge in Pakistan. As a demonstration of the U.S. commitment to support Pakistan throughout this ordeal, our six year program of assistance will help enhance economic and social development of the Pakistani people.

The proposed program builds on existing activities and sectors of emphasis, reflecting agreement between the Governments of the United States and Pakistan on the need to focus on agriculture and irrigation, health and population. The program has four cross-cutting objectives: (1) provision of fast disbursing short-term balance of payments support; (2) support for longer term development efforts; (3) assistance to eradicate poppy production; and (4) aid to lagging areas on the Afghan border which have been given a high Pakistani domestic political priority.

The elimination of opium poppy culture in Pakistan is an especially important U.S. policy objective. A.I.D. support for opium eradication is channeled through the $30 million Northwest Area Development Project which represents a comprehensive attempt to promote area-targeted development. The project seeks to increase the yields of traditional food crops and promote new cash crops and attempts to improve livestock, physical infrastructure, and public services in this major opium growing area. Government of Pakistan enforcement programs, after insufficient effort to enforce the poppy ban in 1985/1986, are now taking necessary measures in the Northwest Frontier Area Development Project area, including a public awareness campaign on the dangers of drug abuse, stern public warnings about enforcement in time to permit farmers to plant alternate crops, on-the-ground eradication, and an aerial spraying campaign.

For Bangladesh in FY 1988, A.I.D. is proposing $60 million of DA, a decrease of $3 million from FY 1987, and $73.9 million of P.L. 480, reflecting an anticipated increase of $8 million in the Title III program.

Bangladesh has an annual per capita GNP of $130 per year, an infant mortality rate of 138 deaths per 1,000 live births, life expectancy of 50 years, and literacy of only 29%. Malnutrition is endemic, especially in chronic food deficit districts. By all measures, Bangladesh is among the poorest countries in the world.

Nevertheless, there has been encouraging progress during the past few years. A rapid expansion of irrigated agriculture has lead to increased cropping intensity and adoption of higher yielding crop varieties. Family planning programs, including those run by non-governmental organizations, are continuing to improve delivery of services. Most important, the government continues to implement a far-reaching economic reform program, including realistic budgets, reduced subsidies and greater reliance on market mechanisms. For example, the government has reduced subsidies on fertilizer and foodgrains in the past year and will raise the wholesale price of electricity by 20% on March 1st of this year.

A.I.D. has concentrated successfully on developing a multi-faceted policy dialogue with the Government of Bangladesh. Significant levels of assistance, combined with policy analysis and quality technical assistance have created an atmosphere of mutual confidence that permits A.I.D. to advise and consult with the government on critical economic policy issues. The current program focuses on reducing fertility and infant mortality, increasing agricultural productivity and expanding rural employment.

For India in FY 1988, A.I.D. is proposing $50 million of DA, a decrease of $3 million from FY 1987, and $83.9 million of P.L. 480 Title II, an increase of $9.2 million over FY 1987.

The Indian economy is a dichotomy, part industrialized and growing, part rural, agrarian and poor. India is the nineteenth largest industrial economy in the world and ranks twelfth in total GNP. India also has the fifth largest pool of scientific and technological manpower in the world. At the same time, an estimated 350 million people remain fixed in bitter poverty.

Thus, India still presents, in terms of human impact, a tremendous development challenge. The United States is also

India's major non-OPEC trading partner and second largest private investor. Given this historical relationship and India's potential for growth, there is a substantial U.S. interest in a developing Indian economy.

A.I.D.'s program supports India's development priorities through activities aimed at improving agricultural productivity and rural incomes, child survival and nutrition, and developing alternative energy sources and commercial technologies. The program is tied together by a cross-sectoral emphasis on research and technology development and the broadening engagement of the private sector and other non-governmental institutions in the solution of development problems.

For Sri Lanka in FY 1988, A.I.D. is proposing $16.790 million of Development Assistance, slightly less than last year. In addition, a $16.5 million P.L. 480 program is proposed for FY 1988.

Sri Lanka is currently facing a particularly difficult set of economic problems resulting from an enormous drop in tea prices, the decreasing availability of jobs in the Middle East, reduced tourism receipts and the need to spend increasing amounts on defense in order to cope with the insurgency in the north and east. Despite these constraints, the government has taken a number of market oriented reforms including closing some unprofitable parastatals and turning others over to private sector management.

Though some adjustments in individual projects have been necessary as a result of the insurgency, A.I.D. continues to manage an effective program to help Sri Lanka focus more on accelerating economic growth while maintaining basic social services and democratic institutions. Two major private sector projects are planned for authorization in FY 1988 to give practical assistance in the privatization of state-owned enterprises and to promote the growth of rural enterprises in the Mahaweli basin areas.

For Nepal in FY 1988, A.I.D. is proposing $13 million of DA, the same as FY 1987.

Nepal is also among the poorest countries in the world, with a per capita income of $160 per year. Approximately 90% of the population is employed in agriculture. Less than 20% of the adults and only 5% of women are literate. Infant mortality is 106 per 1,000 live births.

Nevertheless, the Government is committed to improving living conditions and has demonstrated a willingness to make the difficult decisions necessary to promote growth. Nepal is undertaking a significant macroeconomic reform program in conjunction with assistance from the IMF and the World Bank.

The A.I.D. program in Nepal addresses basic human needs, working to increase rural productivity and rural income, improve natural resources management, and broaden access to basic services such as health care, family planning and education.

Mr. Chairman, Members of the Subcommittee, I welcome the opportunity to answer any questions you may have on A.I.D.'s programs in the Near East and South Asia Region.

PREPARED STATEMENT OF DR. JAGAT MOTWANI

I am Dr. Jagat Motwani, a resident of Long Island, New York. I am the Executive Director of the National Federation of Asian Indian Organizations in America. I also represent two other sister national organizations - namely, the Indian American Forum for Political Education and the Association of Indians in America. These three national organizations represent the 650,000 people of Indian origin in the United States. The Indian American community may be relatively small as a percentage of the whole, but it has already become a significant contributing force to the economic, social, and cultural patterns in this country. We, therefore, appreciate this opportunity provided to us to talk with you on an issue that is of grave concern to us.

I am here to voice our strong opposition to the proposed supply of highly sophisticated military equipment as a part of the proposed 4.02 billion dollar aid package to Pakistan. The United States Department of Defense contends that Pakistan needs highly sophisticated airborne early warning surveillance systems (AWACs) to monitor the Soviet-backed military movements near the Afghanistan border to blunt any border attacks. However, there is sufficient evidence to show that the hilly border between Pakistan and Afghanistan would severely limit the effectiveness of such sophisticated systems. The question then arises: What does Pakistan really intend to do with the AWACs-type sophisticated planes? According to military experts, AWACs planes would not patrol near the Afghan border, rather they would fly over central Pakistan where they could observe Indian, Afghan, and some Soviet air space, and monitor ground-based radar and electronic signals across the Indian border (Selig Harison, Carnegie Endowment for International Peace). Moreover, this issue needs to be reviewed in light of the recent development of Soviet expressed intention of withdrawal.

The supply of highly sophisticated military equipment to Pakistan will represent a new escalation in military technology and is likely to upset the delicate military balance in South Asia. It will thus cause added tension and possible instability in that region.

The intended transfer of highly sophisticated U.S. military technology to Pakistan combined with the growing capability of Pakistan to produce nuclear weapons pose a potential danger to the Indian subcontinent. We Indian Americans are seriously concerned about its multifaceted consequences. As per press reports, Dr. Abdul Qadeer Khan, the head of Pakistan's nuclear research program, has openly admitted that Pakistan has acquired nuclear weapons capability. Mr. Deane Hinton, the United States Ambassador to Pakistan, in his speech at the Pakistan's Institute of Strategic Studies, remarked, "I must add in all candor that there are developments in Pakistan's nuclear research program which we see as inconsistent with a purely peaceful program."

I should add that a bomb in Pakistani hands is a source of concern, not only to India, but to other friendly countries around the world, including Israel, since it has been developed as an Islamic bomb.

The events of the past 39 years attest to the fact that Pakistan has used U.S. supplied military equipment against no other country except India, although the aid was given for use as defense against communist invasion. Once Pakistan has these sophisticated military weapons, it may not hesitate to use them against India.

Mr. Chairman, I should also point out that we are not against any genuine humanitarian and economic aid to Pakistan and the Afghan refugees.

Mr. Chairman, in conclusion, this country has continued to profess its commitment to peace around the world. That commitment is not upheld by pouring massive amounts of sophisticated weapons into Pakistan. It will only escalate the arms race and destabilize the situation in the Indian sub-continent. Such an arms race will economically bankrupt both India and Pakistan. It is an American tradition to help feed the poor around the world. Let us not take any action that might cause more economic strain and poverty in that part of the world. From our view points, as American citizens and taxpayers, this proposed aid package to Pakistan would be contrary to the long-term economic and geopolitical interests of our country.

We thank you for giving us this opportunity to present our views.

The New York Times

Founded in 1851

ADOLPH S. OCHS, *Publisher 1896-1935*
ARTHUR HAYS SULZBERGER, *Publisher 1935-1961*
ORVIL E. DRYFOOS, *Publisher 1961-1963*

ARTHUR OCHS SULZBERGER, *Publisher*
■
MAX FRANKEL, *Executive Editor*
ARTHUR GELB, *Managing Editor*
JAMES L. GREENFIELD, *Assistant Managing Editor*
WARREN HOGE, *Assistant Managing Editor*
JOHN M. LEE, *Assistant Managing Editor*
ALLAN M. SIEGAL, *Assistant Managing Editor*
●
JACK ROSENTHAL, *Editorial Page Editor*
LESLIE H. GELB, *Deputy Editorial Page Editor*
●
A. M. ROSENTHAL, *Associate Editor*
●
ARTHUR OCHS SULZBERGER JR., *Assistant Publisher*
■
LANCE R. PRIMIS, *Exec. V.P., General Manager*
RUSSELL T. LEWIS, *Sr. V.P., Circulation*
J. A. RIGGS JR., *Sr. V.P., Operations*
HOWARD BISHOW, *V.P., Employee Relations*
ERICH G. LINKER JR., *V.P., Advertising*
JOHN M. O'BRIEN, *V.P., Controller*
ELISE J. ROSS, *V.P., Systems*

Stop Pakistan's Nuclear Bomb

For years, Pakistan has lied to the United States about not having a nuclear weapons program, and for years the United States has bought the fiction. It has continued to provide military and economic aid to retain influence on Karachi. Now, intelligence reports show that Pakistan stands at the threshold of nuclear capability, and Washington can no longer escape a hard choice.

To renew aid would mock America's commitment to nuclear nonproliferation. To cut it off might inflame Pakistan, inciting redoubled nuclear efforts and endangering the joint anti-Soviet resistance in Afghanistan. But Pakistani interests are not so simple, and the American choice not so stark.

Pakistan may appear to have the United States over a barrel. But Washington has good reasons to get tough, finally, and Pakistan has its own good reasons to go along.

●

The United States has long protested Pakistan's nuclear program, ineffectually. The Pakistanis almost certainly have built up a supply of nuclear explosive materials and all but assembled and tested the bomb. Yet stopping the process even at this stage would be worthwhile, even essential to holding the line against nuclear proliferation.

America's handle on the issue is aid. President Reagan proposes $4 billion in military and economic assistance over the next six years. Senator John Glenn wants to condition the aid on Pakistan's ceasing to produce weapons-grade nuclear explosive materials. But the Administration argues that if the aid is cut off, Pakistan might decide it has nothing to lose, go nuclear and cut a deal with Moscow against the Afghan resistance.

That's exactly how Pakistan would like Washington to see the choice. Yet Pakistan has powerful reasons not to offend the United States. It needs the economic aid just to hold itself together. It needs the military aid for the continual border skirmishes with India. The nuclear bomb answers none of these needs. It can't be paraded through the streets to build morale.

Pakistan, meanwhile, harbors its own fear of the Soviet Union, and its aversion to a Soviet puppet state next door should not be ignored. There also would be obvious advantages in a peace that permits the millions of Afghani refugees in Pakistan to go home.

Even if Pakistan could proudly approach India's nuclear capability, it would be quite another thing to try equalling India's advanced technology more broadly. Would Pakistan really choose diplomatic isolation, with a rudimentary nuclear capability and without the conventional military capability the U.S. has so generously provided it?

America's interest is clear. Preeminently, the national security of the United States lies in reducing the risk of nuclear war and that means containing the spread of nuclear weapons. Determined American efforts have prevented further nuclear proliferation for decades when experts predicted it couldn't be done.

No one can be confident about the best way to retain influence over Pakistan's decisions. But perhaps the best gamble is to act on the belief that Pakistan also has interests in restraint. Pakistani cheating to this point cannot be wished away but it can be halted where it is.

This reasoning points toward two American messages. To India: "Sign the Non-Proliferation Treaty and accept safeguards monitoring, as Pakistan says it is willing to do." To Pakistan: "Stop your nuclear program where it stands, or U.S. aid will end. And this time, finally, we mean it."

NEW YORK TIMES

International News FRIDAY, MARCH 6, 1987 L A3

Pakistan's Nuclear Effort Worries U.S.

By JOHN H. CUSHMAN Jr.

Special to The New York Times

WASHINGTON, March 5 — Senator John Glenn asked President Reagan today to suspend military aid to Pakistan until it offers convincing proof that it is not seeking to make nuclear weapons.

Senator Glenn, an Ohio Democrat who is chairman of the Governmental Affairs Committee and a leading opponent of the spread of nuclear weapons, told Mr. Reagan in a letter that evidence "points to the conclusion that all the components and the means for assembling a working nuclear explosive device are in Pakistan's possession."

Military aid to Pakistan, which the Administration is planning to raise to $4 billion over six years, is conditioned on certification that Pakistan does not possess nuclear weapons.

Congressional committees examining the aid request are considering tightening the requirement. At a hearing today before a House Foreign Affairs subcommittee, Representative Stephen J. Solarz, the subcommittee chairman, said the sale of early-warning radar planes sought by Pakistan might be made conditional on further restrictions of its nuclear program.

Scientist's Remark Recalled

The program drew renewed attention when a Pakistani scientist, Abdul Qadeer Khan, was quoted in published interviews as having said that Pakistan had developed a nuclear bomb. He later denied having made the remark. Pakistan has been assuring the United States that its nuclear research is not geared to military purposes.

The question facing lawmakers and Government officials is what to do if Pakistan achieves every technical step needed to produce nuclear weapons without actually making them.

Under questioning by members of Senator Glenn's Governmental Affairs Committee, Richard N. Perle, an Assistant Secretary of Defense, said today that it might be counterproductive to cut off military aid since a cutoff might induce Pakistan to pursue its weapons program even more vigorously to protect itself from its perceived adversary, India, which has the ability to make nuclear weapons.

But he said Pakistan could not insure continued aid by forgoing the actual assembly of weapons from stockpiled components.

At the House committee hearing, experts said decisive action was needed to prevent Pakistan from building a nuclear arsenal.

One expert, Leonard S. Spector of the Carnegie Endowment for International Peace, said he was convinced that Pakistan last year "effectively crossed the nuclear weapon threshold for the first time in the limited sense of being able to fabricate all of the key components for a nuclear device."

The most important development, he said, is that Pakistan is now able to enrich uranium to the high level needed for weapon use.

The United States Ambassador to Pakistan, Deane R. Hinton, said recently that the United States was losing patience with Pakistan over what were described as its continuing efforts to develop nuclear weapons.

NEW YORK TIMES

WEDNESDAY, FEBRUARY 18, 1987

For Free Elections in Pakistan

Khurshid Hadi

BOSTON — A state of anarchy is developing in Pakistan. Its consequences should be cause for alarm to Congress and to the American people.

During the past three months, violence has created havoc in Karachi, the nation's busy business capital. Women and children have been killed and property burned. This is not the result of religious fanaticism. The causes are complex but the catalyst is obvious: the failure of Gen. Zia ul-Haq's Government to respond to the demands of the Pakistani people. It is time for the United States — if only in pursuit of its own strategic interests — to recognize the need for a representative government and to use its diplomatic and economic influence to persuade General Zia to accept fair elections.

Current American policy toward Pakistan is ill-conceived in that it single-mindedly perceives General Zia as a bulwark against Soviet expansionism. Yet the General is not a strong man. Investment in the economy is declining, and the country itself is divided politically and socially. While it is axiomatic that a cohesive and unified Pakistan serves the goals of regional peace and stability in an area already racked by war, it is equally true that a fragmented Pakistan is vulnerable to external adventurism.

What the United States must understand is that today's Pakistan is different from the Pakistan in 1979, the year the Soviet Union invaded Afghanistan. At that time, the country was run by a military dictatorship that consistently reneged on its promises to hold elections — a condition the Pakistani people have endured for 27 of their 40 years of independence, always in the hope that the next time around they would achieve a period of stable and predictable democracy. The enemies of democracy in Pakistan were therefore easy to identify because everyone had seen them before.

Now, however, there are new players and new forces that have created fresh divisions in Pakistani society, fragmented the political opposition and given General Zia's so-called civilian Government new weapons with which to crack down on dissent. The most ominous of the new players are the drug barons who have capitalized on the worldwide demand for drugs to acquire power and who, through easy access to modern weapons, have been able to create what amount to private armies.

The civilian Government created in 1986 has done little to control these forces. Indeed, there is evidence that the Government is helping to engineer discord in the cities in an effort to justify a return to outright military rule. Its efforts have not been fruitless: the combination of urban violence and the growth of regional and sectarian demands has undermined the cohesiveness of the political opposition.

One of the underlying problems is that American arms and other aid to the Afghan refugees has been channeled through Pakistan indiscriminately and without an adequate audit. Add this deluge of arms to the normal vicissitudes of war that make cross-border traffic and smuggling uncontrollable and one can understand how the drug trade and the private armies protecting that trade have flourished. Pakistan is now thought to be the largest producer of opium in the world. There are more than half a million identified addicts; seven years ago there were virtually none.

The Karachi riots were the most violent in a series of violent acts undertaken by functionaries of drug barons or agents of international terrorism. This situation is indicative of the Zia regime's inability to deal with the proliferation of violence through arms that were once destined for the Afghan front. Lacking popular support, the Government has to rely increasingly on the militant arms of obscurantist religious groups or solicit the support of the private armies of the drug barons themselves. This support is given at a high price and, consequently, not one major drug trader has ever been apprehended.

Benazir Bhutto, whose Peoples Party is the only party with mass national support, has demanded elections. General Zia rejects them. Meanwhile, Congress debates another $4.2 billion in economic and military aid to Pakistan over the next six years.

Congress must ask itself whether the United States' interests are really being served by the havoc that is being inflicted upon the people of Pakistan by America's own dogged loyalty to yet another intransigent general. It must make further aid contingent on an unambiguous timetable for free elections. □

Khurshid Hadi, a Pakistani, is a visiting fellow at the Center for Asian Development Studies at Boston University.

International News FRIDAY, FEBRUARY 20, 1987 / NEW YORK TIMES L A3

Pakistan's Nuclear Aims Worrying U.S.

By STEVEN R. WEISMAN
Special to The New York Times

NEW DELHI, Feb. 19 — Senior United States officials have begun expressing new concern that Pakistan is moving toward the development of a nuclear bomb, in spite of pledges that it has no such intentions.

An American official said today that the Reagan Administration had become especially worried about Pakistan's actions as Congress moved to consider renewal of American aid. Previous assistance to Pakistan approved by Congress has been contingent on certification by the United States that Pakistan does not have a nuclear explosive device.

President Reagan last certified that this was the case last October.

An unusually tough speech by Deane R. Hinton, the Ambassador to Islamabad, on Monday was seen in both India and Pakistan as an especially strong warning that if Pakistan is perceived as moving toward a nuclear capability, Congress may well reject the Administration's request for assistance.

Mr. Hinton said "developments in Pakistan's nuclear program" were "inconsistent with a purely peaceful program."

'Tensions and Uncertainty'

In the speech at the Pakistan Institute of Strategic Studies in Islamabad, Mr. Hinton added that "indications that Pakistan may be seeking a weapons capability generate tensions and uncertainty."

He did not give details of these "developments" or "indications," but American officials are known to be concerned about reports that Pakistan's program for enriching uranium may exceed needs for nuclear power.

In addition, American officials have cited news reports that the Pakistanis have tried to smuggle in sophisticated electronic switching equipment that could be used to make a bomb.

The centerpiece of the speech was Mr. Hinton's appeal for Pakistan to sign the Nuclear Nonproliferation Treaty. In response, Pakistan reiterated its insistence that it could not sign the treaty unless India also agreed to do so. India, which exploded a nuclear device in 1974, has refused, saying the treaty does not apply to the big nuclear weapons countries.

India continues to maintain that although it exploded the nuclear device, it is not making nuclear weapons today, although Indian officials say they would have to reassess the situation if Pakistan clearly had developed its own bomb.

Mr. Hinton and other American ambassadors in southern Asia are to meet with top State Department officials in Washington next week to discuss regional topics, including nuclear proliferation. In addition, the Congress begins hearings next week on the newly proposed six-year $4.02 billion economic and military-aid package for Pakistan. The package is a renewal of a $3.2 billion program granted in 1981.

In a related development, Indian officials said recently that they too are experiencing new concerns about Pakistan's program.

The Indian officials said they believed news reports that Pakistan had put together the components of a nuclear bomb but stopped short of assembling one.

The United States is concerned about nuclear tensions between India and Pakistan, especially because of persistent reports that India was prepared to bomb Pakistan's nuclear research plant near Islamabad.

Tensions about such reports diminished in December 1985, when Prime Minister Rajiv Gandhi of India and President Mohammed Zia ul-Haq of Pakistan exchanged pledges that neither country would attack the other's nuclear facilities.

NEW YORK TIMES, MARCH 2, 1987

Report of Pakistani A-Bomb Causes a Stir in the Region

By STEVEN R. WEISMAN
Special to The New York Times

NEW DELHI, March 1 — A report by an Indian journalist quoting the director of Pakistan's nuclear program as saying Pakistan possessed a nuclear bomb created a stir today in India and Pakistan.

Pakistan has consistently rejected Indian assertions that it would try to develop a nuclear weapon and has charged that American news reports of such development were also false. Islamabad asserts that its nuclear research program is peaceful and geared to producing atomic energy.

The report by the Indian, published today in a weekly New Delhi newspaper, quoted Abdul Qadeer Khan, head of Pakistan's nuclear research program, as saying in the interview: "They told us Pakistan could never produce the bomb, and they doubted my capabilities, but they know we have done it."

'Is It Necessary?'

Asked by the journalist why Pakistan had not announced that it had a bomb, Dr. Khan was quoted as saying: "Is it necessary? America has threatened to cut off all its aid."

[Dr. Kahn issued a statement that said the comments attributed to him were "false and concocted."

["Furthermore, some of my remarks have been taken out of context to mislead the world into believing that Pakistan possesses a nuclear weapon and that we have enriched uranium to 90 percent or more," he said. "As I so often publicly stated, Pakistan's enrichment research is solely aimed at the development of fuel-grade uranium for our future power reactors. The Government of Pakistan has made it abundantly clear that it has no desire to produce nuclear weapons."]

The interview was said to have been conducted at Dr. Khan's house in Islamabad by Kuldip Nayar, a well-known columnist and journalist who has visited Pakistan many times. Mr. Nayar wrote that Dr. Khan "would not allow me to tape-record the interview."

The interview also appeared in The Observer, a British weekly.

Indian officials expressed serious concern about the report.

If Pakistan proved to have a nuclear bomb, it could drastically alter the political and military situation in South Asia, produce a nuclear arms race with India and jeopardize American aid to Pakistan.

Congress has approved an aid program for Pakistan on the condition that President Reagan certify that it did not possess a nuclear weapon. The President certified this in October and recently requested $4.02 billion in aid for Pakistan over the next six years.

Agence France-Presse

Abdul Qadeer Khan

Aid to Pakistan was cut off by President Carter in 1979 because of its refusal to permit international inspection of its nuclear installations. But Mr. Reagan waived the American law barring such aid in 1981 so as to channel military assistance after tens of thousands of Soviet troops swept into neighboring Afghanistan.

India, which exploded a "peaceful nuclear device" in 1974, maintains that it is not producing weapons, but Indian officials suggest that it would have to do so if Pakistan started. Specialists fear that a nuclear arms race in South Asia would quickly get out of hand.

Two years ago there were fears in Pakistan that India might bomb its nuclear research center. At the end of 1985 President Mohammed Zia ul-Haq of Pakistan and Prime Minister Rajiv Gandhi of India gave an oral pledge not to attack each other's installations, but the agreement has not been put into writing.

An Indian official said that although Mr. Nayar's interview was of great concern, it provided only "another confirmation of what has already been known because of news reports in the United States."

> The bomb could transform the region's situation.

He cited a report in 1985 in The New York Times that Pakistani nationals were caught trying to smuggle advanced electronic switches out of the United States, and a report in The Washington Post last year that Pakistan had all the components of a bomb and needed only to assemble them.

Dr. Khan, the subject of the interview, has been a controversial figure in the nuclear program. He has been quoted widely in the past as saying Pakistan could produce a nuclear weapon if it wanted to.

A German-trained metallurgist, he studied at a classified nuclear enrichment plant in the Netherlands in the early 1970's. According to "Going Nuclear," a new book by the Carnegie Endowment for International Peace, Dr. Khan left the Netherlands suddenly in 1975 and was later accused by the Dutch of trying to smuggle out "essential gas centrifuge know-how" to make a bomb in Pakistan. Dr. Khan denied that he had done anything illegal.

In the interview, he was quoted as saying it was difficult to obtain materials to produce a bomb. "Indeed, it was difficult, particularly when America and other Western countries had stopped selling anything which could be used in manufacturing the bomb," he was quoted as saying. "But we purchased whatever we wanted to before the Western countries got the wind of it."

Asked if the bomb had been tested, he was quoted as saying: "The testing does not have to be on the ground. It can be done in a laboratory, through a simulator. Planes are flown after testing their capability in simulators."

Dr. Khan made "no pretense that Pakistan's nuclear program was for peaceful purposes," Mr. Nayar wrote. He quoted him as saying:

"The word 'peaceful' associated with a nuclear program is humbug. There is no peaceful bomb. After all, there is only a weak, transparent screen between the two. Once you know how to make reactors, how to produce plutonium — all that Pakistan has mastered as well — it becomes rather easy to produce nuclear weapons."

PREPARED STATEMENT OF ELLIOTT ABRAMS

I appreciate the opportunity to appear before you in support of the economic and military assistance request for Latin America and the Caribbean region for fiscal year 1988.

A key element of this Administration's foreign policy has been the recognition of the importance to our national security of our own hemisphere. We cannot effectively deal with the challenges to our interests in other parts of the world if we are unable to cope with problems in nearby areas of great strategic importance. Many of our allies in Latin America at the present time do not have the resources to provide simultaneously for their own security and the basic economic needs of their people. Because we know they must do both if they are to survive and prosper, and if democracy is to be given a chance to flourish, we must help to make up the shortfall. Congress has supported these policies with increased funding, but the resources made available to us in fiscal years 1986 and 1987 are not sufficient to pursue essential U.S. interests.

We have taken great satisfaction in the remarkable trend towards democracy taking place in Latin America and the Caribbean. We have supported this trend, not only because it is in accord with our deepest values, but also because we believe it is in our interest. We have found that we can have the most stable long-term relationships with countries where government is founded on the consent of the governed. However, although the seedlings of democracy have appeared in several nations, the roots of the tree are not yet deep enough to protect it from being uprooted by violent storms, nor the trunk thick enough to withstand the chops of wayward axmen. Our assistance programs can help provide the protection this tree needs to reach maturity.

Without adequate economic aid to assist several of these democratic countries to recover and realize the economic betterment of their people, the odds for sustaining democracy will become much less favorable. Moreover, we have an economic stake in the prosperity of our neighbors. We cannot afford the loss of our hemispheric markets tomorrow through failure to stimulate development of viable trading partners today.

Request for $300 Million for the Central American Democracies: On March 3 President Reagan sent to Congress a message requesting an additional $300 million in economic assistance for Costa Rica, El Salvador, Guatemala and Honduras to be dealt with under the expedited procedures set forth in Title II of the Act making appropriations for military construction for fiscal year 1987. This message was accompanied by transmission to the Congress of the report called for by that same legislation on fully funding assistance to the Central American democracies as proposed in the January 1984 report of the National Bipartisan Commission on Central America. The report reviewed the progress that has been made, but concluded that a continuing U.S. commitment was needed and set forth a plan for stretching out the Central American Initiative an additional three years -- until 1992 -- with total assistance of $6.9 billion over eight years instead of $6.4 billion over five years. The President noted that Congress last year approved an additional $300 million in economic assistance for the Central American democracies through transfer from unobligated funds, but the legislative requirement that this sum be regarded as part of the worldwide total of FY 87 ESF meant that in practice this sum was not available as additional assistance. The President concluded that $300 million was urgently needed now, and indicated the amounts made available for this additional assistance would be transferred from unobligated balances in existing accounts. We urge prompt enactment of a joint resolution expressing approval of this request, as called for in the expedited procedures laid down by Congress in the legislation.

FY 1987 Supplemental: The major request in the supplemental for Latin America and the Caribbean was $300 million in economic assistance for the Central American democracies. The Administration has proposed that that sum be treated separately, as stated above. However, I urge your favorable consideration of the remainder of our request. An additional $40 million of military assistance is badly needed to sustain El Salvador against the Marxist guerrillas, support Honduras in the face of the Nicaraguan arms buildup, and help consolidate democracy in Guatemala. We are also requesting an additional $10 million to support the fight against narcotics in the Andes. Bolivia in particular is ready to undertake a program of assistance to farmers who voluntarily eradicate coca crops, and we need additional resources to help support the transition to lawful economic activity in that nation.

The FY 1988 Requests: For FY 1988 we are requesting for Latin America and the Caribbean a total of $271.575 million in military assistance ($257.5 MAP and $14.075 IMET) and $1,324 million in economic assistance ($700 million ESF, $401 million DA and $222.6 million PL-480). In recognition of the need for austerity, our request for economic assistance is down 20% from last year's request and our military assistance proposal is 24% less. I urge your support for this minimal request.

Let me turn to the subregions now, to describe for you what we have achieved so far, and the specifics of our proposals for FY 1988.

South America

The Andean nations of Bolivia, Colombia, Ecuador and Peru are making valiant efforts to deal with economic problems, leftist insurgencies and most of all illegal narcotics production and trafficking. Stemming the flow of narcotics into the United States is a major priority for all Americans. But this is a costly undertaking. You cannot just force farmers to stop growing their most rewarding crop without offering them economic alternatives. You cannot expect the governments of these countries to undertake the politically and economically risky initiative of launching major counter-narcotics programs without the economic resources to sustain them. And you cannot expect drug-traffickers and narcoterrorists to give up their very lucrative business without putting up a fight -- and in fact, they are working overtime to elude interdiction efforts and undermine democratic institutions by intimidation, corruption and violence. Thus, if we are serious about cutting down on drugs we must be prepared to use every resource at our command -- economic and military assistance as well as narcotics control funds.

Bolivia: President Paz Estenssoro has been especially courageous in his narcotics control and economic reform policies. Bolivia's cooperation with the U.S. military in fighting illicit drug trafficking, with operation Blast Furnace last year, is unprecedented in the history of international drug interdiction. We expect to sign an agreement in the next few days whereby the GOB will undertake to destroy all illegal coca production. MAP funds for Bolivia will be used to support military training and equipment, much of which is to be used by the Bolivian military to provide logistical support in the anti-narcotics programs. Our request is heavily weighted, however, in favor of economic assistance to encourage Bolivia to follow through on important economic reforms, to support domestic stability, and to improve living standards which are the lowest on the South American continent.

Colombia: Colombia faces the too frequently related evils of narcotics trafficking and a violent insurgency driven from the left. Colombian drug traffickers are among the most ruthless criminals in the world. The toll they have exacted on Colombian society has been heavy: one Minister of Justice assassinated, another recovering from his wounds, Supreme Court judges brutally murdered, prominent journalists and scores of policemen and other officials gunned down because of the firm stand they have taken against lawlessness and crime. Colombians are proving that the traffickers are not supermen, and that honest men and women can and will stand up to them. Just recently, the Barco administration dramatically demonstrated its adherence to the United States-Colombia Extradition Treaty by extraditing to the United States Carlos Lehder, one of the top traffickers in the world. Despite the high price paid, and still being paid, Colombia has some of the most productive anti-narcotics programs in the area.

The largest guerrilla group in Colombia, the Revolutionary Armed Forces of Colombia -- generally known by its Spanish acronym, FARC -- continues to abide generally by a ceasefire, but other insurgent groups do not. MAP funds for Colombia strengthen the government's anti-narcotics programs and at the same time assist it in dealing with the increasingly violent insurgents who have rejected the government's peace initiatives.

Ecuador: Ecuador is a strong supporter of U.S. political and economic goals in South America. Under President Febres Cordero decisive free-market economic measures have been instituted which could serve as a model for the rest of Latin America. The $17.5 million requested in ESF will help maintain internal stability by helping meet the country's balance-of-payments needs and assist economic development projects. The military assistance program will improve military training and provide required materiel to the armed forces. This will enable the GOE to maintain effective pressure against a small urban terrorist band, improve the pursuit of narcotics traffickers, and heighten the level of assistance Ecuador provides to the United States in anti-drug efforts.

Peru: For over a year, Peru has carried on a serious and successful campaign against narcotics traffickers. But this campaign draws on scarce resources. Both our military and economic assistance requests are essential if we are to achieve cooperation on the anti-narcotics front and improve our dialogue with Peru on the management of its economic and debt crises. By improving our overall relationship with Peru, this assistance will act to counter Soviet influence, particularly with the military.

Uruguay: In another South American democracy, Uruguay, President Sanguinetti is consolidating that country's return to democratic rule. He faces a number of hurdles in this effort, including the need to bolster the economy and redirect the military toward support for civilian rule. We are proposing a MAP program of $1.5 million which would be used to purchase a helicopter, truck parts, and maintenance support equipment. Equally important, this program would expand our access to key mid-level officers, and facilitate cooperation and mutual understanding between our armed forces.

The Caribbean

Our stake in peace and economic development in the

Caribbean requires that we continue to demonstrate our long-term commitment to the strengthening of democratic institutions in the region and willingness to make a major contribution to their development. The Grenada experience has demonstrated that we must not neglect our friends in this area. Our programs consist primarily of economic assistance because of adverse developments in markets for the region's principal exports, heavy debt burdens, and internal economic imbalances.

Haiti: Our request consists mainly of economic assistance. The primary use of ESF will be to finance balance-of-payments support for the economic reform program. Some funds will also be used to develop activities with non-governmental organizations and to improve the Haitian public sector's ability to attract and support private-sector investment. By FY 1988 Haiti plans to have a newly-elected civilian president, and our small proposed program of military assistance will enhance military support for democracy, help maintain internal security against threats from the right or left, and permit greater anti-narcotics efforts.

Jamaica: The economic situation calls for a firm commitment on our part to support the essential but politically difficult adjustment programs the country is undertaking to correct the severe imbalances arising in large part from the drastic declines in bauxite/alumina exports and other traditional exports. ESF funds will help to stimulate the recovery and development of this valuable trading partner and complement the tremendous efforts Jamaica is making to combat narcotics trafficking. The modest military assistance program will continue the ongoing modernization of the Jamaican Defense Force and contribute substantially to improving coastal patrol capabilities and overall force mobility, which are essential to effective anti-narcotics programs.

Dominican Republic: This friendly nation, the most populous democracy in the Caribbean, is facing serious economic problems. Reductions in the U.S. sugar quota and low world prices for sugar and other primary products have led to a large trade deficit and a serious shortage of foreign exchange. By helping to bridge the foreign exchange shortfall during the economic adjustment period, U.S. assistance allows the continued flow of necessary imports. The small military assistance program will provide needed supplies and training to further professionalize and depoliticize the Dominican armed forces.

Eastern Caribbean: Our assistance to these island nations will continue to support the Regional Security System, especially the joint training program we have established with the United Kingdom. ESF funds will be geared toward infrastructure development, diversification away from traditional agricultural exports and attracting new private investment.

Central America

Nearly two-thirds of the funds we are requesting will go to Central America -- $216 million in military assistance and $826.6 million in economic assistance. As usual, by far the larger portion of our request is for economic aid -- about four times the request for military assistance. The rationale for devoting such a large percentage of our resources to this region is clear. The problems in Central America require patient, sustained U.S. efforts. Over the past three years, with the help of Congress, we have begun to implement the comprehensive program recommended by the National Bipartisan Commission on Central America. We believe this program will be successful, because it addresses all of the causes of the conflict currently gripping Central America. The policy we are implementing supports social and economic reform to allow elements of society traditionally unable to benefit from eonomic growth to participate in Central America's future. It supports defense of democratically-elected governments from internal and external subversion. It supports the strengthening of judicial systems, the backbone of a democracy. And it supports the maintenance of a military capable of meeting internal or external threats, yet supportive of the democratic system. The amounts of financial, economic and military assistance requested are needed to sustain this strategy. At a time when the Soviet bloc is increasing its efforts, when the Soviet bloc tonnage of military equipment delivered to Nicaragua has reached the unprecedented level of 23,000 metric tons in 1986, we must meet the challenge to democracy.

This year's request will support a record of major accomplishments that would have been difficult if not impossible without our assistance. The severe economic slide in Central America that was evident in 1980-83 has been arrested and reversed in every democratic country in the region. Private capital has begun to return, and private investment has begun to recover. Non-traditional exports are expanding in most countries, dramatically in Costa Rica. Infant mortality rates are dropping more rapidly than anticipated and primary school enrollments are increasing.

There has been a fundamental change in the attitudes of the armed forces toward human rights, particularly in El Salvador and Guatemala. Civilian control of the armed forces in El Salvador is now a fact. Furthermore, battlefield performance has improved. The guerrillas now generally operate secretly in small units against economic targets rather than attempting direct conflict with the military. Guerrilla strength is believed to have fallen to about 6,000 from a high of 9,000-11,000. In Guatemala, the military ensured a fair, open political campaign and election in 1985. A code of military conduct has improved civil-military relations to the point that the rural civilian population now participates in the defense of their villages. The Honduran armed forces have successfully used U.S.-provided training and equipment to detect and defeat terrorist and guerrilla elements that have surfaced sporadically since 1982.

El Salvador: Our security assistance has and will continue to help the government of President Duarte defend itself against a communist insurgency supported by Nicaragua, Cuba, and the Soviet bloc. The vast majority of the Salvadoran people have rejected the insurgents and demonstrated at the ballot [illegible] support for President Duarte's appeal to addressing the problems of that nation through democratic processes. Our ESF program of $200 million is designed to counter insurgent destruction of production and economic infrastructure; to provide emergency assistance to families displaced by the insurgents; to maintain employment and productivity; and to increase economic growth. The military assistance program provides the equipment, ammunition, and training needed by government forces to foreclose military victory to the insurgents and bring them into the democratic process. The program will continue the development of an efficient, professional military force respectful of human rights and the democratic process.

Honduras: Honduras is the key player in U.S. and regional efforts to promote democracy and economic development in Central America. In March and December 1986, Sandinista military agression escalated with major incursions into Honduran territory. In addition, the Nicaraguan government has attempted to create insurgencies in Honduras on at least two occasions in the last three years. Our request for $80 million in MAP funds will enhance the Honduran armed forces' ability to deter Nicaraguan aggression and to carry out their defense responsibilities.

In the shadow of the Sandinista threat, the Honduran people are building and strengthening democratic institutions. Vigorously contested elections in 1981 and 1985 brought civilian governments back to power in Honduras. Continued U.S. support for economic policy adjustments will help President Azcona make strides toward achieving long-term, stable economic growth, which fosters democracy and makes insurgent alternatives unappealing. $100 million in ESF is needed to support President Azcona's ambitious and so far successful economic stabilization program.

Guatemala: For decades Guatemala has been fighting an insurgency. A poor country ruled for almost 30 years by military governments, it is now a struggling democracy. The government of Vinicio Cerezo has made steady progress in reducing human rights abuses, promoting economic growth, and creating the conditions for greater citizen participation in government. It is in our national interest that the civilian government complete its term in office and make headway in solving the problems it faces. The $80 million ESF program will help the government address the basic socio-economic inequalities that fed the insurgency and help stabilize Guatemala's international financial accounts while continuing a highly effective economic policy reform dialogue. We are also requesting $7 million MAP which will be used to improve the ground and air mobility of the Guatemalan forces.

Costa Rica: Our main objective in Costa Rica is the maintenance of a free, stable, democratic society. Substantial economic assistance is necessary to help Costa Rica adjust to the effects of the recent worldwide recession and severe deterioration of its terms of trade. The $90 million ESF request will help finance importation of U.S. machinery, raw materials and spare parts needed for production, employment, and exports. Limited military assistance ($2 million) to Costa Rica's small security forces is also needed to enable the GOCR to police its borders and counter the internal security threat posed by continuing Nicaraguan trouble-making.

Panama: Our proposed military assistance of $3.0 million continues our treaty-related commitment to help the Panama Defense Forces prepare for their future role of defending the canal. Our long-term goal is the uninterrupted, secure use of the canal. To help in this, we seek a professional, apolitical military, friendly to the United States. In 1986, partly in response to our economic assistance covenants, Panama passed substantial reform legislation setting the stage for a program of economic adjustment and greater reliance on market forces. To help the government achieve the goals of this program we are asking for $10 million ESF.

Belize: Belize is a peaceful, stable democracy in a turbulent region. Our policy goals include preserving Belize's democratic institutions, suppressing narcotics production and trafficking, and creating sustainable economic growth. We have proposed $2 million in ESF to help sustain the economic stabilization thus far achieved. Our modest military assistance ($1 million MAP and $70,000 IMET) is designed to provide support to the Belize Defense Force and complements British training efforts. Our assistance also aids Belize's efforts to combat drug production and trafficking.

Regional Programs

Central America Regional and LAC Regional: In addition to the country-specific programs, there are activities such as institution building and civic training that are carried out through either the LAC Regional or Central America Regional program (ROCAP). For FY 88 we are asking $61 million for Central America Regional and ROCAP and $32 million for the LAC Regional programs.

One of the major programs to which these funds will be devoted is the Administration of Justice program, which supports national initiatives to carry out judicial reforms, including training for judges, prosecutors, and other legal personnel; to improve court administration; to reproduce and disseminate legal materials; to train criminal investigators; to modernize law codes and strengthen case reporting; and to support local bar associations. Other funds for democratic development are used to improve legislative capacity; provide press training; support the development of electoral institutions; and improve civil-military relations. In additio[illegible] LAC regional account provides funding to the Ameri[illegible]itute for Free Labor Development, and to other projec[illegible]h provide special training. Finally, Central America Regional funds support a number of activities in agriculture, education, health and industry designed to encourage long-term growth.

IMET: IMET-funded training is a particularly important aspect of our military assistance programs. Throughout this hemisphere we rely heavily on the special people-to-people relationships that have developed as a result of IMET training. Many former IMET students now occupy positions of high responsibility in their own countries, and our access to them is directly attributable to relationships and viewpoints established during the time they studied in the United States. IMET training is not just a professional military training program, it is also a kind of cultural exchange program because it gives foreign and American officers exposure to each other's ideas, beliefs and customs and fosters mutual understanding. It exposes foreign officers to democratic ideals and practices. IMET programs are especially important to the development and continuation of good military-to-military relationships with countries where we do not have large military assistance programs. Mexico and Venezuela are examples of countries where our access to the military results from and depends largely on IMET programs. Full funding of our IMET programs will benefit all of us as well as the next generation.

FY 88 Legislation: The Administration's FY 88 foreign assistance legislative proposals were recently transmitted to Congress. I would like to mention some of particular importance to my area of responsibility.

Administration of Justice. Strengthening the administration of justice in many democracies in Latin America and the Caribbean is a long-term goal. The range of activities already initiated has been very encouraging. The amendments proposed by the Administration would remove the terminal date of the program, signifying our long-term commitment, and would clarify and broaden authority for the program. We believe this program is an important means for improving the observance of political and human rights.

Assistance for Police of Democratic Governments. This amendment provides that Section 660 of the Foreign Assistance Act, which prohibits police training, will not apply to a country which has a democratically elected government, which

BEST AVAILABLE COPY

seeks to strengthen democratic institutions, and which does not have a record of gross abuse of internationally recognized human rights. A number of exceptions to Section 660 are contained in existing legislation, and this fragmented approach is not adequate to meet current needs. Improved law enforcement professionalism increases the observance of human rights. The amendment also would enhance the ability of foreign governments to protect American citizens living abroad who are frequently targets of criminal and terrorist threats. We hope [illegible] Congressional concerns will be allayed by the provision for prior notification.

Restrictions on Training Assistance. This proposal would permit military and economic assistance for training for Argentina or Brazil, provided that these countries continue to have democratically elected governments, and subject to existing legislative provisions with regard to human rights and police training. We believe training should be considered comparable to programs such as the Peace Corps and USIA exchanges which are in the U.S. interest and are therefore not subject to most legislative restrictions. Training provides the U.S. with access to current and future leaders in these two countries, which are increasingly significant in Latin America and on the world scene. A similar proposal was approved by the Senate in 1985 but failed in conference; we hope on further consideration it will be approved by both Houses.

Safety-of-Flight Items for Chile. An unintended consequence of legislative restrictions on military sales to Chile is their negative impact on the safe operation of U. S. aircraft sold to the Chilean government years ago. Recognizing the problem, in 1985 Congress exempted ejection seat devices and related manuals from the ban. This eased an acute problem. To eliminate the remaining threat to safety of aircrews and civilians alike, we propose allowing the transfer of additional safety-of-flight items, keeping off-limits sales of weapons or other non-safety items. This would ensure that we avoid an unwanted disaster caused by avoidable aircraft failure and generate some good will and enhanced access for the U. S. among the Chilean Air Force. In view of the Chilean military's key role for Chile's hoped-for transition to democracy, such a limited step is fully consistent with U. S. policy of support for a democratic transition and increased respect for human rights in Chile.

Narcotics-Related Requirements. The proposed amendments to Section 481 of the Foreign Assistance Act modifications would apply worldwide, but would be important in our relations with a number of Latin American and Caribbean countries. Based on our experience with application of the Omnibus Drug Act so far, they would focus the impact of sanctions on the 30 most significant drug producing and transit countries, provide the means to administer the sanctions more effectively through proper identification of transit countries, and provide leverage for obtaining the cooperation of such countries in narcotics control activities before the sanctions actually take effect. I am convinced the effect will be to enhance cooperative efforts with Western Hemisphere countries in narcotics control. We encourage Congress to repeal Section 2013 of the Omnibus Drug Act, which is duplicative of the Section 481 certification process.

Conclusion

In designating 1987 as the "National Year of the Americas" Congress and the President have recognized the special relationship that we have and want to maintain with Latin American and Caribbean nations. To put it plainly, these countries are our neighbors. It would be inconsistent for us as a nation to proclaim a year dedicated to the renewal of mutual understanding, and at the same time refuse to provide the same neighbors we are singling out for recognition with the resources they need to meet the objectives we agree are as essential to our future as theirs.

As part of the National Year of the Americas, public and private organizations throughout the hemisphere are planning special activities to celebrate the achievements we have made together and to explore ways in which we can continue to assist each other and develop better relationships. In our own country, in August of this year, some twenty nations from all over our hemisphere will gather in Indianapolis for the tenth Pan American games. This is an event which participants and spectators agree leaves a lasting impression of goodwill, and contributes to friendships whose value over time is incalculable. Let us not forget that the actions we take as a government also leave lasting impressions. An unwillingness to stand by our neighbors and friends when they need our assistance also has incalculable long-term effects. Congress can make a meaningful contribution to this Year of the Americas by acting positively on our assistance request. I urge you to provide full funding for the programs we have outlined. They are necessary to sustain democracy, to expand economic and social reforms and to protect our common security interests.

PREPARED STATEMENT OF RICHARD E. FEINBERG

Mr. Chairman, Americans who are generally supportive of foreign assistance face a dilemma in Central America. Economic aid could potentially contribute to Central American social and economic development and to long-term political stability. But U.S. aid has become an integral component of a security policy which blocks regional peace. Without regional peace, economic development cannot proceed.

Three years after the report of the National Bipartisan Commission on Central America ("Kissinger Commission"), the Reagan Administration is now proposing that the Commission's five-year plan be extended to eight years.[1] The Administration is admitting that it has made scant progress toward the economic

---

* The views expressed herein are those of the author and should not be attributed to the Overseas Development Council.

[1] Report to the President and the Congress on a Plan for Fully Funding the Recommendations of The National Bipartisan Commission on Central America, submitted by the Secretary of State, the Administrator of A.I.D., and the Director of the Office of Management and Budget, February, 1987, mimeo.

goals set out in the Commission report. Sadly, in the period since that report, Central America has become poorer (see table 1).

Central American Aid in Global Perspective

The Administration is requesting $1.1 billion in economic aid for FY1987 and $827 million for FY1988 (see table 2). This amounts to a yearly average of about $43 for each man, woman, and child in Central America (exclusive of Nicaragua), or $217 per family of five. From 1981-88, the U.S. will thereby have authorized nearly 6 billion dollars -- $261 per Central American, or over $1300 per family of five.

Most Central Americans are poor. Per capita incomes in El Salvador and Honduras average $700. Nevertheless, if humanitarian concerns were the crucial test, Central America would be receiving a much smaller share of AID's scarce resouces. Central America's 22 million people (not counting Nicaragua) are slated to receive more U.S. economic aid than are the over 400 million people who inhabit Sub-Saharan Africa -- where per capita incomes levels are generally much lower.[2]

Disproportionate aid allocations can be justified on several grounds. Economic Support Funds can reward and encourage a government undertaking laudatory but stressful economic reforms. Regrettably, economic reforms are proceeding slowly if at all in most of Central America, and 1986 witnessed some depressing reversals of initial efforts. Discouraged by this pattern, the International Monetary Fund and the World Bank have shied away from lending to Central America outside of Costa Rica.

---

[2] Sources for the data in this testimony include: United Nations Economic Commission for Latin America and the Caribbean (ECLA), Preliminary Overview of the Latin American Economy 1986; U.N. ECLA, Centroamerica: Notas Sobre la Evolucion Economica en 1986; World Bank, World Development Report 1986; International Monetary Fund, International Financial Statistics, monthly issues; and U.S. Agency for International Development, Congressional Presentation FY 1988.

Alternatively, disproportionate aid flows can be justified in the pursuit of human rights and democracy. Often at Congressional insistence, U.S. economic aid has been used in El Salvador to restrain death squads and sponsor elections. However, the interaction between external economic pressures and domestic political processes is usually hard to untangle, and we should not overestimate our influence. In Honduras, El Salvador and Guatemala, the transitions from military to civilian or elected government began before U.S. aid reached appreciable levels.

Once democratic processes are under way, external assistance can play an important role in facilitating economic growth. If they are to gain legitimacy, Central American democracies must demonstrate economic competence and raise living standards. Unfortunately, U.S. economic assistance, unable to outweigh an adverse regional political environment, has so far failed to generate economic growth.

A final rationale for massive U.S. assistance to Central America is U.S. security interests. But security trends within Central American nations have evolved primarily in response to internal dynamics, largely independent of U.S. economic assistance. The El Salvadoran government staved off the guerrillas' "final offensive" in January, 1981, prior to the massive influx of U.S. aid, overcoming on its own what history may decide was the rebels' best and last real hope. The Guatemalan army squashed its guerrillas while denied U.S. aid because of human rights abuses. In 1981-82 Costa Rica undertook its successful stabilization program -- which was essential for guarding its political institutions -- before U.S. aid began to flow freely.

Where the Administration's economic assistance program has undoubtably been successful is in gaining support for or at least acquiescence in its policies toward Nicaragua:

-- In Central America, the Administration has consistently used the aid spigot to encourage governments to host or otherwise assist the contras, and to discourage participation in serious peace efforts.3

-- In the United States, the Administration has repeatedly sought to win Congressional votes for contra aid by seeming to balance it with humanitarian deeds. In this vein, the Administration has linked $300 million in supplemental assistance for FY1987 to the $105 million contra authorization.

In effect, a large portion of the nearly $1 billion annual aid budget has served to assuage the Central American and U.S. domestic political opposition to the contra strategy. In Nicaragua, however, the Sandinistas seem more firmly entrenched, more authoritarian, more hostile to the United States, and more open to Soviet influence than in 1981.

The Central American Economic Situation

The Central American economy remains extremely depressed aside from Costa Rica. The sharp declines of the late 1970s and early 1980s seemed to have abated in 1984, but per capita GDP began to descend again in 1985 (even excluding Nicaragua).

1986 was an especially disappointing year. Despite substantial improvement in coffee and cotton prices, declining interest rates, and lower oil prices, per capita GDP slipped in El Salvador, Guatemala and Honduras. Inflation accelerated in

---

[3] For an indication of the linkage between U.S. policies toward Costa Rica and the contras, see The Tower Commission Report (New York: New York Times, 1987), pp.471-74.

most countries. Public and private sector savings rates remained dismal.

Governments have made some progress in cutting budget deficits and adjusting exchange rates. Outside of Costa Rica, however, economic reforms have often been postponed for fear of adverse political consequences. At the beginning of 1986 many observers hoped that with key elections behind them, governments in El Salvador, Honduras, and Guatemala would tackle tough economic problems -- for example, raise taxes, reduce subsidies, and adjust interest rates -- but progress has been painfully slow. Especially distressing is the inability of the El Salvadoran government to sustain the momentum of brave reforms initiated early last year.

The factors behind Central America's economic decline include wildly fluctuating commodity prices, mistaken official policies, and civil strife. In some ways, U.S. economic assistance has softened these blows, and placed a cushion under urban consumption levels. In other ways, however, U.S. policies have inadvertently contributed to the crisis.

The Costs of Current Policy

U.S. policies have exacerbated the region's economic troubles in 5 important ways:

1) The contra war contributes appreciably to a climate of uncertainty which deters investors, both local and foreign. Regional conflicts chill the business climate from Guatemala to Costa Rica. The Kissinger Commission grossly underestimated the regional economic fallout of the contra war by mistakenly assuming that the Nicaraguan conflict would be resolved within two years, by 1985. Consequently, it overestimated the contribution of private investors.

The simultaneous pursuit in the same region of policies of insurgency and counter-insurgency produces contradictory economic results. The Nicaraguan insurgency destabilizes all the region's economies, thereby undercutting efforts to stabilize neighboring governments.

Central America's political and economic turbulence have diminished the potential benefits of the U.S. Caribbean Basin Initiative. Without substantial private investment in new productive facilities, the region cannot take full advantage of the opportunities offered by the CBI.[4]

2) High aid levels have allowed governments to postpone badly needed economic reforms.[5] Large capital inflows have permitted governments to maintain overvalued exchange rates, escape tax increases, and maintain inefficient capital markets. Because the Administration has been primarily interested in political objectives, it has typically not conditioned aid on economic reform. The massive U.S. bilateral aid program has also given El Salvador and Honduras the financial freedom to circumvent the IMF and World Bank, to the annoyance of officials at the U.S. Treasury Department. Central American governments have preferred the foreign policy strings of U.S. aid to the economic reforms required by the multilateral agencies.

3) The purposeful isolation of Nicaragua has accelerated the decline in the Central American Common Market. Intra-regional trade has shrunk from $1.1 billion in 1980 to an estimated $370 million in 1986. To avoid taking any actions that

---

[4] For a fuller discussion, see Stuart K. Tucker, "The Caribbean Basin Initiative: Elevated Expectations and Limited Means," Overseas Development Council, mimeo., November, 1986.

[5] For a fuller discussion, see Richard E. Feinberg and Bruce M. Bagley, Development Postponed: The Political Economy of Central America in the 1980s (Boulder, Colorado: Westview Press and the Johns Hopkins University School of Advanced International Studies, 1986).

might even indirectly benefit Nicaragua, the Administration has deferred the Kissinger Commission's recommendations to revitalize the Common Market.

4) Insistence on the contra strategy has forced the Administration to act unilaterally. Other Latin American and European nations have balked at U.S. demands that Nicaragua be excluded from aid and trade programs. The Administration has declined to support multilateral institutions that might resist U.S. political directives. The Kissinger Commission recommended the formation of a Central American Development Organization (CADO), to provide a forum for Central American discussion of the U.S. regional assistance program. The Administration has not enthusiastically supported even this very diluted means for multilateral aid organization and regional participation in decisionmaking.

Central Americans are increasingly complaining that local USAID missions are operating as shadow governments. AID is depicted as making the key economic policy decisions, and as establishing new institutions beholden to U.S. financing when existing agencies prove obstinate. While such accusations are often exaggerated, they are the predictable outcome of heavy-handed, large-scale bilateral aid programs.

Unilateralism is also expensive. The U.S. government has had to bear the lion's share of external assistance to Central America, rather than spread the burden more equitably with other bilateral and multilateral donors.

5) The region's disbursed external debt (excluding Nicaragua) has risen from $7.8 billion in 1981 to an estimated $11.5 billion at the end of 1986. Interest payments alone now consume over 10 percent of export earnings. This debt burden is

not yet large compared to that of other Latin American and Caribbean nations. Nevertheless, since capital inflows have been oriented more to sustaining consumption than to increasing productive investment, Central America will have difficulty servicing its newly acquired debt.

The Agency for International Development is aware of the contradictions in U.S. economic and security policies. This year's Congressional Presentation laments:

> The armed resistance of the democratic forces is expected to expand and may contribute to economic uncertainty in adjacent countries. This will continue to affect the climate for investment and dampen government efforts at economic reform. Unfortunately, it also hampers efforts to attract aid from other donors.[6]

Conclusions and Recommendations

The U.S. aid program encompasses many worthwhile efforts. It is providing scholarships to Central American students, and extending nutrition and health care to needy children. By promoting investment and marketing for non-traditional exports, including light manufactures and fresh fruits and vegetables, U.S. aid is generating jobs and foreign exchange.

But the U.S. aid program could be contributing so much more, and doing much less damage, if it were placed within a different political strategy.

Prolongation of the contra war precludes economic recovery in Central America. Recent Administration estimates that the contra strategy will not bear fruit for at least several more years amount to a death warrant for the economic aspirations of Central America -- and the objectives of the Kissinger Commission

---

6. U.S. AID, Congressional Presentation FY1988: Latin America and the Caribbean, Annex III, p.38.

-- even if the Commission's report is given a renewed three-year lease on life.

Congress should not view economic aid programs as offsetting the Administration's security policies. Nor are ratios of economic to security assistance relevant frameworks of analysis. On the contrary, the Administration has crafted economic programs to build political support for its Nicaragua policies, and to compensate, at great expense, for their adverse economic fallout. A substantial portion of the economic assistance package is part-and-parcel of the contra strategy.

The tragedy is that there is an alternative. The United States has the power to protect its security interests in Nicaragua, and to dampen the level of conflict in the region.7 We can work closely with the Contadora and Central American nations to reach agreements that exclude Soviet and Cuban military power from the region, prevent cross-border support for insurgent movements, and defuse the regional arms race. If Nicaragua were to violate such accords, the United States could take forceful corrective steps -- with likely bipartisan support and the solid backing of international opinion.

The United States could then proceed to develop a new approach to regional aid that better divides the burden with other donors, shares the responsibility with Central American governments, promotes regional economic cooperation, emphasizes economic reform, and concentrates on reigniting public and private investment.8

---

7. For a recent presentation of a viable peace plan, see Ambassador Sol M. Linowitz, testimony before the Senate Foreign Relations Committee, January 28, 1987.

8. An alternative to the Administration's aid policies is presented in the author's testimony to the U.S. Senate, Committee on Foreign Relations, February 8, 1984.

Central America has economic promise. It has the climate, soils, hydroelectric potential, and technical expertise to develop diversified and dynamic economies. From 1950 until the late-1970s, Central America generated solid 5 percent growth rates, and could do so again. But first the United States must fashion a security policy which promotes peace -- the sine qua non for economic development.

Thank you very much.

Table 1. Per Capita GDP Growth Rates in Central America, 1981-1986

Country	1981	1982	1983	1984	1985	1986*	Cumulative Decline 1981-86*
Costa Rica	-5.0	-9.7	0.0	5.1	-1.7	0.4	-11.0
El Salvador	-9.6	-6.5	-0.2	0.5	0.1	-1.8	-16.7
Guatemala	-1.8	-6.1	-5.4	-2.8	-3.7	-2.8	-20.7
Honduras	-2.4	-4.9	-3.9	-0.3	-1.8	-1.2	-13.8
Nicaragua	2.0	-4.4	1.3	-4.8	-5.9	-3.1	-14.1

* Provisional estimates

Source: U.N. Economic Commission for Latin America and the Caribbean, Preliminary Overview of the Latin American Economy 1986, December 1986, p.14.

Table 2. U.S. Economic Assistance to Central America, FY1981-1988

($ millions)

Fiscal Year	Total[a]	Economic Support Fund	Development Assistance	P.L.480
1981	207	45	99	55
1982	357	172	116	62
1983	640	373	162	97
1984[b]	827	521	190	105
1985	973	536	232	118
1986	817	466	255	104
1987[c]	1097	615	231	99
1988[d]	827	502	230	94
TOTALS	5745	3230	1515	734

[a] Also includes Peace Corps, U.S. Information Agency, and State Department Refugee programs.

[b] Includes FY84 supplemental of $370 million.

[c] Includes FY87 supplemental of $300 million.

[d] Administration request.

Source: U.S. Agency for International Development

PREPARED STATEMENT OF LORET MILLER RUPPE

IT IS MY PLEASURE TO APPEAR BEFORE YOU IN SUPPORT OF THE ADMINISTRATION'S BUDGET REQUEST FOR THE PEACE CORPS. BEFORE I GO INTO THE FISCAL YEAR 1988 PROJECTIONS AND GOALS, I WOULD LIKE TO REVIEW FOR YOU THE EVENTS OF THE LAST YEAR, IN WHICH PEACE CORPS CELEBRATED ITS QUARTER-CENTURY ANNIVERSARY. I WOULD ALSO LIKE TO TAKE THIS TIME TO THANK THE MEMBERS OF THIS SUBCOMMITTEE FOR YOUR REMARKS AND COMMENTS WHICH WERE INSERTED INTO THE RECORD HONORING OUR VOLUNTEERS. I AM PLEASED, TOO, THAT PRESIDENT REAGAN IN HIS PROCLAMATION FOR THE TWENTY-FIFTH ANNIVERSARY YEAR OF THE PEACE CORPS CALLED "ON ALL AMERICANS TO REAFFIRM OUR NATION'S COMMITMENT TO HELPING PEOPLES IN THE DEVELOPING WORLD HELP THEMSELVES".

YOU ARE AWARE OF THE HUGE RESPONSE TO THE RETURNED PEACE CORPS VOLUNTEER CONFERENCE HELD HERE IN WASHINGTON LAST SEPTEMBER. SOME OF YOU SAW THE THOUSANDS OF RETURNED VOLUNTEERS, FAMILIES AND FRIENDS, THE 440 FOOT TENT ERECTED ON THE MALL, AND THE 7,000 WALKING TO ARLINGTON CEMETARY FOR THE MEMORIAL SERVICE FOR OUR OWN WHO GAVE THEIR LIVES WORKING FOR PEACE.

SOME OF YOU ALSO SHARED WITH US THE VERY MOVING CONCLUSION AT THE KENNEDY CENTER WHEN A CHILD LED A SEA OF STANDING, HANDHOLDING ADULTS IN "LET THERE BE PEACE ON EARTH, AND LET IT BEGIN WITH ME!" YOU SAW, TOO, THE WASHINGTON POST EDITORIAL THE NEXT MORNING WHICH BEGAN: "BOTTLE LAST NIGHT, EXPORT IT AND THERE WILL BE NO MORE WAR!"

IF ONLY PEACE COULD BE THAT EASY. I AM SURE YOU WILL AGREE THAT THERE IS NOTHING WE HERE IN THIS ROOM WOULD WANT MORE. BUT, REGRETTABLY IT IS GOING TO TAKE MORE THAN WISHES, OR PEOPLE JOINED IN THE SPIRIT OF SONG -- TO STOP FIFTY PERCENT OF THE CHILDREN IN DEVELOPING WORLD VILLAGES FROM DYING BEFORE THE AGE OF 5 -- TO STOP WOMEN FROM WALKING MILES FOR WATER AND THEN SEARCHING MILES FOR WOOD -- AND TO STOP MEN FROM FLEEING THEIR VILLAGES WHERE THERE IS NO WORK TO CITIES WHERE THERE IS NO WORK.

THE CHALLENGES OF MEETING THESE NEEDS IN THE DEVELOPING WORLD WILL, IN THE FUTURE, AS IN THE PAST, BE A RESULT OF THE HARD WORK AND DEDICATION OF AMERICANS WHO ARE WILLING TO MAKE THE SACRIFICES, TO PROVIDE THE SERVICES NECESSARY TO HELP THE PEOPLE IN THE THIRD WORLD TO DISCOVER AND DEVELOP THEIR OWN STRENGTHS.

THE WAYS IN WHICH PEACE CORPS CAN BETTER MEET THESE CHALLENGES IN THE FUTURE WAS THE THEME OF SEMINARS AND EVENTS HELD ALL ACROSS OUR NATION LAST YEAR IN MORE THAN THIRTY-FIVE STATES. SIMILAR PROGRAMS WERE ALSO HELD IN NUMEROUS DEVELOPING COUNTRIES AROUND THE GLOBE. IT WAS MY HONOR TO ATTEND MANY OF THESE EVENTS, BOTH HERE IN THE U.S. AND ABROAD.

IN THE UNITED STATES, THERE WAS A GREAT RENEWAL OF DEDICATION ON THE PART OF THE RETURNED VOLUNTEERS TO BECOME MORE INVOLVED IN THE PEACE CORPS' THIRD GOAL ACTIVITIES, AND THOSE RELATING TO OUR PARTNERSHIP PROGRAMS. RETURNED VOLUNTEERS FROM ALL PARTS OF OUR NATION RECONNECTED WITH EACH OTHER AND THE AGENCY.

CEREMONIES HOSTED BY OUR HOST NATION FRIENDS LIKEWISE WERE AN INSPIRATION TO US ALL. THE GRATITUDE EXPRESSED BY THE PEOPLES OF THOSE NATIONS, FROM VILLAGERS TO HEADS OF STATE, FOR OUR AMERICAN VOLUNTEERS, WAS A TRULY MOVING EXPERIENCE FOR ME AND ALL AMERICANS IN ATTENDANCE.

IN KENYA, MALAWI, HONDURAS, THAILAND AND IN COUNTRIES THROUGHOUT THE PEACE CORPS REGIONS, CEREMONIES AND CONFERENCES WERE HELD HONORING THE AMERICAN VOLUNTEERS WHO SERVED AND ARE SERVING. SIX NATIONS, WESTERN SAMOA, TUVALU, ST. LUCIA, SIERRA LEONE, CAMEROON AND TONGA, ISSUED STAMPS COMMEMORATING THE WORK OF THE VOLUNTEERS AND THEIR PARTNERSHIP WITH THE PEACE CORPS. AND INDIVIDUALS, LIKE GENERAL LUNA OF THE PHILIPPINES, PAID TRIBUTE TO THE PEACE CORPS BY FORMALLY ADOPTING VOLUNTEER LAURIE LATHROP.

LAST YEAR PEACE CORPS CELEBRATED A MILESTONE IN ITS HISTORY, 25 YEARS OF GRASS ROOTS DEVELOPMENT WORK AND GOODWILL, PROVIDED BY OVER 120,000 AMERICANS, TO THE PEOPLES OF 92 NATIONS AROUND THE GLOBE.

LAST YEAR ALSO CONGRESS PASSED MILESTONE LEGISLATION PROVIDING FOR LOAN FORGIVENESS FOR FUTURE VOLUNTEERS. AS YOU MAY RECALL, DURING MY TESTIMONY LAST MAY WE DISCUSSED HIGHER EDUCATION COSTS AND THE THOUGHTS OF A NATIONAL SERVICE PROGRAM AND LOAN FORGIVENESS FOR VOLUNTEERS.

WELL, I'M PLEASED TO TELL YOU THAT IN 1986 CONGRESS ALSO PASSED, AND THE PRESIDENT SIGNED INTO LAW, A PROVISION THAT PROVIDED A PERCENTAGE OF LOAN FORGIVENESS FOR FUTURE VOLUNTEERS WITH NATIONAL DIRECT STUDENT LOANS (NDSL). BEGINNING JULY 1987 NEW BORROWERS WHO ASSUME NDSLs AND LATER BECOME PEACE CORPS

VOLUNTEERS WILL HAVE 15% OF THEIR LOAN FORGIVEN EACH YEAR FOR THE FIRST TWO YEARS OF VOLUNTEER SERVICE, AND 20% FORGIVEN EACH YEAR SHOULD THEY EXTEND TO 3 OR 4 YEARS. IN ADDITION TO THE LOAN FORGIVENESS PROVISION, THE ACCRUED INTEREST WILL ALSO BE FORGIVEN.

FUTURES TEAM REPORT

A MAJOR QUESTION, "WHERE IS PEACE CORPS GOING IN THE NEXT TWENTY-FIVE YEARS", WAS A RECURRING THEME DURING THE CONFERENCES, SEMINARS AND OTHER EVENTS HONORING THE EFFORTS OF OUR VOLUNTEERS LAST YEAR. PROMINENT PEOPLE IN INDUSTRY, ACADEMIA, THE DEVELOPMENT COMMUNITY AND HEADS OF STATE DIRECTED THEIR THOUGHTS TOWARD THIS ISSUE. A CULMINATION OF THE IDEAS HAS RESULTED IN THE PRINTING OF A PAPER CALLED THE "FUTURES TEAM REPORT". A COPY WILL SOON BE PROVIDED TO YOU.

THE REPORT REEMPHASIZES THE NEED FOR PEACE CORPS TO MAINTAIN ITS THREE GOALS:

--TO PROMOTE WORLD PEACE AND FRIENDSHIP BY MAKING AVAILABLE TO INTERESTED COUNTRIES AMERICANS WILLING TO SERVE OVERSEAS WHO WILL HELP PEOPLE OF THESE COUNTRIES TO MEET THEIR NEEDS FOR TRAINED MANPOWER;

--TO HELP PROMOTE A BETTER UNDERSTANDING OF THE AMERICAN PEOPLE ON THE PART OF PEOPLE SERVED;

--TO PROMOTE A BETTER UNDERSTANDING OF OTHER PEOPLE ON THE PART OF THE AMERICAN PEOPLE.

THESE GOALS ARE THE CORE VALUE TO THE AGENCY, VOLUNTEERS AND STAFF. THE REPORT CALLS FOR INNOVATIVE VOLUNTEER PROGRAMS DIRECTED AT RECRUITING SCARCE SKILLED AMERICANS. WE ARE ABOUT TO IMPLEMENT, ON A PILOT BASIS, A SHORT-TERM 12 MONTH VOLUNTEER TOUR IN AN EFFORT TO DRAW OUT THOSE SCARCE SKILLED INDIVIDUALS SO DESPERATELY NEEDED BY THE DEVELOPING WORLD.

WE ARE ALSO SEEKING TO COMBINE PEACE CORPS SERVICE WITH THE PURSUIT OF AN ACADEMIC DEGREE WITH A NUMBER OF UNIVERSITIES, INCLUDING MICHIGAN STATE, RUTGERS AND CORNELL. AT MICHIGAN STATE UNIVERSITY FOR INSTANCE, THE PEACE CORPS HOPES TO ESTABLISH A JOINT MASTERS PROGRAM IN AGRICULTURE SPECIFICALLY AIMED AT MINORITY STUDENTS WHO WOULD WORK IN OUR AFRICA FOOD SYSTEMS INITIATIVE.

WE ARE ALSO REACHING OUT TO FEDERAL AGENCIES, SUCH AS THE DEPARTMENT OF AGRICULTURE, URGING THAT EMPLOYEES CONSIDER SABBATICALS TO SERVE AS PEACE CORPS VOLUNTEERS OR ASSOCIATE PEACE CORPS DIRECTORS WORKING WITH OR TRAINING OTHERS IN AGRICULTURE OR SPECIALITY PROGRAMS.

THE "FUTURES TEAM REPORT " ALSO REEMPHASIZED THE CONTINUED VALUE OF THE EXPERIENCED VOLUNTEER AND STRONGLY RECOMMENDED THAT SUCCESSFUL VOLUNTEERS WHO WISH TO EXTEND SHOULD ROUTINELY BE PERMITTED TO CONTINUE THEIR SERVICE. THESE RECOMMENDATIONS WOULD ESTABLISH VARIABLE LENGTHS OF PEACE CORPS SERVICE, FROM ONE TO THREE OR MORE YEARS.

THE REPORT ADDRESSES IMPROVED PROGRAMMING NEEDS, BOTH IN THE FIELD AND FOR OVERSEAS STAFF. IT STRESSES ADDITIONAL SUPPORT OF THE NEGLECTED THIRD GOAL OF THE PEACE CORPS, THAT OF, "PROMOTING A BETTER UNDERSTANDING OF OTHER PEOPLES ON THE PART OF AMERICAN PEOPLE." AND, IT REITERATES THE IMPORTANCE FOR PEACE CORPS TO GROW RESPONSIBLY TOWARD THE 10,000 VOLUNTEERS GOAL, AS DIRECTED BY CONGRESS, WITHOUT SACRIFICING QUALITY IN PROGRAMS OR VOLUNTEERS.

IT WAS ALSO DETERMINED THAT PEACE CORPS TODAY IS FLEXIBLE AND READY TO TRY NEW PROGRAMS, FORMULAS, AND IDEAS SO THAT OUR VOLUNTEERS BETTER ADDRESS THE NEEDS OF THOSE THEY SERVE AND TRAIN. AN EXAMPLE OF HOW OUR VOLUNTEERS ACCOMPLISH THESE OBJECTIVES CAN BE ILLUSTRATED BY THE FOLLOWING:

MICHAEL PREDMORE WAS ASSIGNED TO WORK WITH THE PEOPLE OF KASIBU DISTRICT OF THE PHILIPPINES. FOLLOWING EXTENSIVE LANGUAGE AND TECHNICAL TRAINING, HE ARRIVED IN THE VILLAGE. THE PEOPLE OF KASIBU ASKED MIKE TO DEVELOP A SPRING-FED WATER SYSTEM THAT WOULD PROVIDE CLEAN WATER TO THE VILLAGES. MIKE CHOOSE THREE COMMUNITIES THAT WERE IN NEED OF A SYSTEM AND IN WHICH THE PROJECT COULD FEASIBLY SUCCEED. MIKE, AND LATER A SECOND VOLUNTEER, HELPED THE VILLAGERS TO SECURE FUNDING THROUGH THE PEACE CORPS SMALL PROJECT FUND, THE CANADIAN AND NETHERLANDS EMBASSIES AND THE LUTHERAN FOUNDATION, WHILE PROVIDING GUIDANCE AND TECHNICAL KNOW-HOW. THE PROJECT WAS CONSTRUCTED SOLEY FROM COMMUNAL INITIATIVE AND COOPERATION AMONG THE VILLAGERS. THE COMMUNITY LEADERS THEMSELVES FORMED 'WATER ORGANIZATIONS' WITH OFFICERS AND WORK CREWS REPRESENTING ALL MEMBER HOUSEHOLDS. TOGETHER, THEY OVERCAME WEATHER COMPLICATIONS, POLITICAL SITUATIONS AND COMMUNITY DIFFERENCES.

THE PEACE CORPS VOLUNTEER RETURNED A YEAR LATER TO FIND THE PROJECTS WORKING WELL. THE AREA NOW HAS MANY COMMUNAL FAUCETS PROVIDING CLEAN WATER, A 4,000 GALLON STORAGE TANK, AND SEVERAL WATER-SEAL TOILETS. THE COMMUNITY OF POBLACION, WHICH HAD ENCOUNTERED PROBLEMS WITHIN THE COMMUNITY COOPERATION, SUCCEEDED BY REESTABLISHING ITS LEADERSHIP ROLE AND CHOOSING A NEW SET OF WATER ASSOCIATION OFFICERS. THEY MODERNIZED A FAILED EXISTING WATER SYSTEM AND NOW EACH HOUSEHOLD PAYS A MONTHLY FEE.

INTER-AMERICA

AS PEACE CORPS MOVES FORWARD TO BETTER MEET THE NEEDS OF THE FILIPINO PEOPLES, WE ALSO CONTINUE OUR COMMITMENT TOWARD THE INTER-AMERICAN COUNTRIES TO HELP THEM DEVELOP THE KNOW-HOW AND RELEVANT SKILLS NEEDED TO PRODUCE FOOD, GOODS AND SERVICES ESSENTIAL TO GENERATE THE INCOME NEEDED FOR ECONOMIC SELF-SUFFICIENCY AND IMPROVEMENTS IN THE QUALITY OF LIFE.

IN AN EFFORT TO ACHIEVE OUR PROGRAM GOALS SET FORTH IN BOTH THE CARIBBEAN BASIN INITIATIVE AND THE JACKSON PLAN (KISSINGER COMMISSION REPORT) PEACE CORPS HAS INCREASED ITS COLLABORATION WITH OTHER GOVERNMENT AGENCIES, INTERNATIONAL AGENCIES, AND PRIVATE VOLUNTARY ORGANIZATIONS (PVOS).

A MAJOR PRIORITY IN OUR INTER-AMERICAN PROGRAMS IS THE DEVELOPMENT OF AGRICULTURAL AND OTHER BUSINESSES TO GENERATE INCOME, PROVIDE FOOD, AND CREATE EMPLOYMENT. ONE GOOD EXAMPLE OF THE VOLUNTEERS' EFFORTS IN THIS REGARD COMES FROM COSTA RICA WHERE LAST YEAR ONE VOLUNTEER ASSISTED IN THE COMPLETION OF 27 KILOMETERS OF WATER PIPE BRINGING POTABLE WATER TO FOUR COMMUNITIES; HELPED TO CONSTRUCT AN INCOME-PRODUCING TREE NURSERY WHICH IS NOW RUN BY COMMUNITY MEMBERS; ASSISTED ANOTHER COMMUNITY ORGANIZATION TO OBTAIN FUNDS FOR A SELF-HELP RURAL HOUSING PROJECT, NOW UNDERWAY; AND ORGANIZED AND TRAINED A GROUP OF WOMEN WHO TEACH REFUGEES HOW TO DESIGN AND MAKE CLOTHING FOR USE IN THE REFUGEE CAMP AND FOR SALE IN THE LOCAL MARKET. THIS IS NOW THE LARGEST SHOP IN ANY REFUGEE CAMP IN COSTA RICA AND PROVIDES EMPLOYMENT FOR THE REFUGEES.

HEALTH, NUTRITION AND SANITATION SERVICES IN THE INTER-AMERICAN REGIONS HAVE BEEN IMPROVED OVER THE PAST TWO DECADES: WITH THE ASSISTANCE OF USAID, PAN AMERICAN HEALTH ORGANIZATION AND OTHER DEVELOPMENT ASSISTANCE AGENCIES. HOWEVER, WHILE TECHNICAL ASSISTANCE AND FUNDS ARE BEING PROVIDED AT THE

INSTITUTIONAL LEVEL, THERE IS A SEVERE SHORTAGE OF TRAINED TECHNICIANS WHO LIVE AND WORK IN THE REMOTE AND RURAL AREAS. PEACE CORPS VOLUNTEERS ARE TRYING TO FILL THIS GAP.

LAST YEAR IN HONDURAS VOLUNTEERS TRAINED OVER 1,300 RURAL RESIDENTS IN IMPROVED NUTRITION METHODS.

IN HAITI THIRTY-FIVE VOLUNTEERS WORKING WITH THE CHILD SURVIVAL PROGRAM, WORKED WITH EIGHTY RURAL CLINICS IN NUTRITION AND HEALTH EDUCATION, ORAL REHYDRATION AND PUBLIC HEALTH NURSING, TO PROVIDE ASSISTANCE TO MORE THAN 8,000 HAITIANS.

IN ECUADOR, VOLUNTEERS TRAINED RURAL RESIDENTS IN BUILDING SEVEN POTABLE WATER SYSTEMS AND 220 LATRINES. IN THE RURAL AREAS OF DEVELOPING COUNTRIES SANITATION IS A MAJOR PROBLEM. THE LOCAL WATER SOURCES, RIVERS AND STREAMS, ARE POLLUTED WITH HUMAN WASTE. THE CONSTRUCTION OF LATRINES HELPS TO CLEAN-UP THE WATER SOURCES AND REDUCE THE PARASITES AND DISEASE THAT AFFECT THE PEOPLES HEALTH.

SPECIAL EDUCATION CONTINUES TO HAVE A HIGH PRIORITY WITH GOVERNMENTS IN THE INTER-AMERICAN REGION. THEY HAVE INCREASED THEIR REQUESTS FOR SPECIALIZED VOLUNTEERS TO HELP TRAIN HOST COUNTRY NATIONALS IN TREATING, EDUCATING AND PROVIDING ASSISTANCE TO THOSE WHO ARE MENTALLY OR PHYSICALLY HANDICAPPED.

IN FISCAL YEAR 1988, WITH THE ASSISTANCE OF COLLABORATIVE EFFORTS, PEACE CORPS HOPES TO EXPAND CBI PROJECTS THROUGHOUT THE CARIBBEAN AND CENTRAL AMERICA. WE ALSO PLAN, WITH THE HELP OF COLLABORATIVE AGREEMENTS, TO CONTINUE THE WORK CURRENTLY BEING DONE BY OVER 300 VOLUNTEERS WHO ARE WORKING IN HEALTH, NUTRITION AND SANITATION. WE ALSO WILL TRY TO MEET THE REQUESTS FROM HOST COUNTRY GOVERNMENTS FOR SPECIAL EDUCATION VOLUNTEERS.

AFRICA FOOD SYSTEMS INITIATIVE

THESE EXAMPLES OF VOLUNTEER INITIATIVE AND FLEXIBILITY IS ILLUSTRATED NOW IN ONE OF THE PEACE CORPS' NEWER INNOVATIVE IDEAS, INITIATED PRIOR TO THE 25TH ANNIVERSARY RECOMMENDATIONS, THE AFRICA FOOD SYSTEMS INITIATIVE (AFSI). AS I RELATED TO YOU IN THE PAST, THE INITIATIVE SEEKS TO REVERSE DECLINING PER CAPITA FOOD PRODUCTION IN UP TO 12 AFRICAN NATIONS BY ADDRESSING THE ENTIRE FOOD SYSTEM -- FROM START TO FINISH.

TODAY I AM PLEASED TO TELL YOU THAT THE FIRST AFRICA FOOD VOLUNTEER TEAMS, 211 VOLUNTEERS, LEFT THIS PAST FALL FOR PILOT PROGRAMS IN NIGER, LESOTHO AND MALI. FIVE TO TEN MEMBER TEAMS OF VOLUNTEERS, EACH WITH COMPLIMENTARY SKILLS, ARE WORKING WITH SMALL-SCALE FARMERS, MANY OF WHOM ARE WOMEN, IN SPECIFIC AREAS TOWARD TARGETED OBJECTIVES. AS THE NEEDS OF AN AREA CHANGE, NEW VOLUNTEER TEAMS WITH DIFFERENT SKILLS WILL BE DISPATCHED, NEW GOALS SET AND NEW WORK BEGUN.

THIS LONG TERM COMMITMENT WILL BE EXPANDED INTO FOUR ADDITIONAL AFRICAN COUNTRIES IN FISCAL YEAR 1988. ASSESSMENT TEAMS ARE CURRENTLY WORKING IN SENEGAL, SIERRA LEONE, GUINEA CONAKRY, AND CENTRAL AFRICAN REPUBLIC (CAR) TO DEVELOP THE PROGRAMS FOR THESE COUNTRIES.

WHILE THE AFRICA FOOD INITIATIVE IS A HIGH PRIORITY OF MINE AND THE AGENCY'S, OTHER ONGOING PROJECTS IN FOOD PRODUCTION CONTINUE TO PROVIDE ASSISTANCE AND TRAINING TO RURAL FARMERS. FROM MICRONESIA TO MOROCCO, PAPAU NEW GUINEA TO PARAGUAY, THE VOLUNTEERS ARE SHOWING RURAL FARMERS THAT SOIL CAN BE IMPROVED, MORE LAND CAN BE BROUGHT UNDER CULTIVATION, PESTS CAN BE CONTROLLED, YIELDS CAN BE INCREASED, AND POST-HARVEST LOSSES CAN BE ELIMINATED.

PEACE CORPS VOLUNTEERS ARE TEACHING AGRONOMY, ORGANIZING FARMER CO-OPS, TRAINING FARMERS TO VACCINATE LIVESTOCK, DIG FISH PONDS, ESTABLISH KITCHEN GARDENS, PLANT TREES AND PROVIDE IMPROVED NUTRITION.

THE PROGRESS IN OUR AGRICULTURE PROGRAMS COMES IN MANY FORMS: IN MALI, A VETERINARIAN VOLUNTEER FROM NORTHERN WISCONSIN CHANGED THE MIXTURE FORMULA OF LOCALLY AVAILABLE FEEDS AND INCREASED THE MILK YIELDS BY 500 PER CENT.

IN TOGO, A RETIRED MISSISSIPPI FARMER TRAINED VILLAGERS TO USE OX-DRAWN PLOWS, THUS ENABLING THE VILLAGES TO IMMEDIATELY EXPAND THEIR PLOTS BY 400 PERCENT.

IN KENYA, A NATURAL RESOURCES GRADUATE OF THE UNIVERSITY OF CONNECTICUT CONVINCED THE KISII PEOPLE, A NON-FISH EATING POPULACE, TO TRY FISH FARMING, THUS PRODUCING A NEW SOURCE OF PROTEIN AND PROFIT FOR AN ENTIRE PEOPLE.

WE CAN EVALUATE THE VOLUNTEERS' EFFORTS IN TERMS OF SO MANY VACCINATIONS, FISH PONDS AND GARDEN PROJECTS, BUT THE VOLUNTEERS' CONTRIBUTION LIES ALSO IN THE

REALM OF THE INTANGIBLE -- THE BANISHMENT OF DESPAIR, THE GIVING OF MOTIVATION AND HOPE.

THE PHILIPPINES

PEACE CORPS AGRICULTURE AND HEALTH PROGRAM EFFORTS ARE NOT ONLY DIRECTED TOWARD THE CHALLENGES IN AFRICA, WE ARE ALSO PLACING A HIGH PRIORITY ON ONE OF OUR OLDEST PROGRAMS, THAT OF THE PHILIPPINES.

IN THE PHILIPPINES VOLUNTEERS CONTINUE TO ASSIST SMALL-SCALE FARMERS TO INCREASE THEIR CROP PRODUCTION THROUGH DIVERSIFICATION AND INTER-CROPPING METHODS. INCREASED PRODUCTION OF FISH PONDS AND EXPANDED COMMUNITY DEVELOPMENT PROJECTS HAVE ALSO IMPROVED THE WAY OF LIFE FOR COUNTLESS RURAL RESIDENTS. ALTHOUGH PEACE CORPS HAS SHIFTED ITS PROGRAM EMPHASIS IN THE PHILIPPINES FROM EDUCATION TO THOSE PROJECTS LISTED ABOVE, DEAF EDUCATION CONTINUES TO BE A VERY IMPORTANT PROGRAM. SINCE 1974, VOLUNTEERS HAVE BEEN TEACHING DEAF CHILDREN IN SCHOOLS, TRAINING TEACHERS AND ORGANIZING COMMUNITY PROJECTS WITH THE DEAF.

PRIOR TO THE PROGRAM EMPHASIS CHANGE FROM EDUCATION TO COMMUNITY DEVELOPMENT PROJECTS, VOLUNTEERS RECOGNIZED THE NEEDS OF THE PEOPLE AND ASSISTED THEM IN PLANTING TREES, ASSISTED IN LOCAL BUSINESS DEVELOPMENT, AND HELPED LOCAL FARMERS TO ORGANIZE AND BUILD A CO-OP COFFEE AND RUBBER MILL. THIS MILL REMAINS IN OPERATION TODAY AND ALLOWS THE LOCAL GROWERS TO AVOID MIDDLEMEN THUS RECEIVING A BETTER PRICE FOR THEIR COMMODITIES.

A SIMILAR PROGRAM BEGUN BY FIVE VOLUNTEERS IN SORSOGAN PROVINCE ENCOURAGED FARMERS TO PLANT MORE COCOA, COFFEE AND BLACK PEPPER. THE PROGRAM EXPANDED TO A POINT WHERE IT INCLUDED OVER 700 FARMER CO-OPS IN FIFTEEN MUNICIPALITIES. RESIDENTS OF SAPIAN, CAPIZ REMEMBER THE AMERICAN MARINE BIOLOGIST VOLUNTEER WHO HELPED THEM ESTABLISH A THRIVING BUSINESS PRODUCING GREEN MUSSELS. WITHIN FIVE YEARS FISHERMEN WERE SELLING MUSSELS AS FAR AWAY AS MANILA AND HAD MADE 18 MILLION PESOS.

VOLUNTEERS WORKING IN THE UPLANDS TRIBAL AREAS HAVE BEEN RESPONSIBLE FOR BRINGING PHILIPPINE GOVERNMENT AGENCY ATTENTION TO THE NEEDS OF A PARTICULAR MINORITY COMMUNITY WHERE THEY LIVE. AS A RESULT, SEVERAL TRIBES WERE ABLE TO OBTAIN LAND RIGHTS, SCHOOLS AND HEALTH CARE THEY HAD NOT HOPED FOR PREVIOUSLY.

RECENTLY, ONE OF OUR OLDER AMERICAN VOLUNTEERS, JOSEPH SAGE, A DESCENDANT OF THE BLACKFOOT INDIAN TRIBE IN IDAHO, HELPED THE TOWN OF LA TRINIDAD PLAN AND IMPLEMENT A TRADING POST, THE LARGEST INFRASTRUCTURE PROJECT IN PEACE CORPS PHILIPPINES HISTORY.

THE TRADING POST, AS IT IS CALLED, IS A HUGE MARKET WHERE LOCAL VEGETABLE FARMERS CAN, FOR THE FIRST TIME, DEAL DIRECTLY WITH PRODUCERS INSTEAD OF MIDDLEMEN. PACKING STALLS, LOADING DOCKS, WEIGHING AND GRADING MACHINES, AND A REFRIGERATED STORAGE AREA, AS WELL AS A WATER TOWER AND A BACK-UP GENERATOR, MAKE THIS THE COUNTRY'S MOST MODERN VEGETABLE MARKETING FACILITY.

VOLUNTEERS ARE CURRENTLY WORKING AT IMPROVING WATER SUPPLIES IN MANY PARTS OF THE COUNTRY. SPECIAL "WATER TECHNICIAN" VOLUNTEERS, LIKE MICHAEL PREDMORE MENTIONED EARLIER, ARE NOW FIELDED REGIONALLY TO SUPPORT THE WORK OF "NON-SPECIALIST" VOLUNTEERS WHO ARE INVOLVED IN DEVELOPING SPRINGS AND WELLS.

IN FISCAL YEAR 1988 PEACE CORPS WILL CONTINUE ITS EMPHASIS ON AGRICULTURE DEVELOPMENT, FRESH WATER FISHERIES, AND AGRO-FORESTRY. AS A RESULT OF MY VISIT WITH PRESIDENT AQUINO IN MANILA THIS PAST NOVEMBER, PEACE CORPS IS IN THE PROCESS OF STRENGTHENING OUR PROGRAM THERE. THIS NEXT YEAR WE PLAN TO FIELD OVER 300 VOLUNTEERS IN THE PHILIPPINES.

WOMEN IN DEVELOPMENT

IN ADDITION TO OUR EMPHASIS ON AFRICA, CENTRAL AMERICA, AND PHILIPPINES PROGRAMS, PEACE CORPS IS COMMITTED TO THE EXPANSION OF OUR WOMEN IN DEVELOPMENT (WID) EFFORTS.

THERE IS AN AFRICAN PROVERB THAT SAYS, "EDUCATE A WOMAN AND YOU EDUCATE A FAMILY". THE PEACE CORPS IS DEDICATED TO THIS BELIEF. OUR PROGRAMS MUST ADDRESS THE NEEDS OF THE DEVELOPING WORLD AND BE ADMINISTERD TO GIVE PARTICULAR ATTENTION TO THE ACTIVITIES THAT WILL INTEGRATE WOMEN INTO THE NATIONAL ECONOMIES OF DEVELOPING COUNTRIES.

IT IS A FACT THAT WOMEN IN THE DEVELOPING WORLD PLAY AN INTEGRAL PART IN THE LIVES OF THEIR COMMUNITIES. IT IS A FACT THEY GROW 50 TO 80 PERCENT OF THEIR COUNTRIES' FOOD, WHILE SUPERVISING THEIR FAMILIES' EDUCATION, HEALTH CARE AND

NURTITION. THEREFORE, UNDERSTANDING THE ROLES AND NEEDS OF THESE WOMEN IS CONSIDERED AN ESSENTIAL PART OF ALL PEACE CORPS PROGRAMMING.

LOCAL WOMEN ARE ENCOURAGED TO PARTICIPATE IN ALL PHASES OF DEVELOPMENT PROJECTS, FROM NEEDS ASSESSMENTS AND PRIORITY SETTING TO PLANNING AND IMPLEMENTATION. IN PEACE CORPS' WID PROGRAMS SPECIAL ATTENTION IS GIVEN TO THE PROBLEMS OF THE RURAL WOMAN. PROGRESS IS SLOW, AND SUCCESSES ARE SOMETIMES HARD TO MEASURE, BUT LITTLE BY LITTLE OUR PROGRAMS ARE MAKING A DIFFERENCE. EXAMPLES SUCH AS THE FOLLOWING CONTINUE TO MAKE US VERY OPTIMISTIC ABOUT THE PROGRAM.

--IN TOGO VOLUNTEERS HAVE TRAINED RURAL WOMEN TO DESIGN AND BUILD FUEL-EFFICIENT STOVES. IT SHOULD BE NOTED THAT THE TRADITIONAL TOGOLESE STOVE CONSITS OF THREE ROCKS PLACED ON THE GROUND, FORMING A HOLLOW AREAS FOR WOOD AND PROVIDING A FOUNDATION FOR THE COOKING POT TO SIT ON. THIS TRADITIONAL COOKING METHOD USED OVER THE CENTURIES, IS FUEL WASTEFUL AND HAS DEPLETED THE SCARE FUEL WOOD FORESTS AND NATURAL RESOURCES. IT IS A SAFETY HAZARD AS WELL, BURNING COUNTLESS CHILDREN EACH DAY.

PEACE CORPS DEVELOPED AN ALTERNATIVE STOVE FOR THE TOGOLESE WHICH IS FUEL EFFICIENT AND, MORE IMPORTANTLY, SAFE. USING THE TRADITIONAL THREE ROCKS AS A BASE, SO AS TO BE ACCEPTABLE TO THE TOGOLESE WOMEN, THE VOLUNTEERS TRAINED THE WOMEN TO FORM, WITH LOCAL CLAYS AND WATER, AN IGLOO SHAPED FORM AROUND THE ROCKS TO FIT THEIR COOKING POT. IT ALSO HAS A NARROW ENTRY IN THE FRONT FOR WOOD, AND A SMALL OPENING AT THE UPPER BACK TO ACT AS A VENT. THIS TRAINING HAS AFFECTED 500 FAMILIES, THUS EASING THE DAILY WORKLOAD OF WOMEN AND IMPROVING THE SAFETY OF THE FAMILY. THESE WOMEN WERE ALSO TRAINED TO BUILD STOVES FOR OTHER WOMEN AS AN INCOME GENERATING ACTIVITY. THIS IMPROVED STOVE HAS WIDESPREAD RECOGNITION AND USE THROUGHOUT TOGO. VARIATIONS OF THE BASIC COOKING METHOD ARE BEING REPLICATED BY VOLUNTEERS THROUGHOUT THE DEVELOPING WORLD.

--VOLUNTEERS HAVE ALSO TAUGHT BUSINESS MANAGEMENT SKILLS TO RURAL WOMEN AND ASSISTED WOMEN IN THE ORGANIZATION OF COTTAGE INDUSTRIES IN 25 COUNTRIES.

THROUGH COLLABORATIVE AGREEMENTS, AND IMPROVED AGENCY PLANNING, WE ARE ABLE TO PLACE A GREAT DEAL OF EMPHASIS ON THE ROLE OF WOMEN IN DEVELOPMENT, ESPECIALLY IN THE AREAS OF HEALTH IMPROVEMENT, NUTRITION, EDUCATION, FOOD PRODUCTION, WATER RESOURCE IMPROVEMENT AND SMALL BUSINESS DEVELOPMENT.

COLLABORATIVE EFFORTS

AS I SAID EARLIER, COLLABORATION WITH OTHER AGENCIES, INTERNATIONAL ORGANIZATIONS AND PVOS IS CRUCIAL TO THE CONTINUANCE OF PEACE CORPS' PROGRAMS. THE EFFECT OF BUDGETARY RESTRAINTS, COUPLED WITH INCREASED ADMINISTRATIVE AND OVERSEAS COSTS HAVE MADE IT IMPERATIVE THAT PEACE CORPS INCREASE ITS COLLABORATIVE EFFORTS. COOPERATION BETWEEN THE PEACE CORPS AND USAID HAS INCREASED, AS HAVE OUR EFFORTS WITH SUCH AGENCIES AS THE WORLD BANK; THE U.N. INTERNATIONAL CHILDREN'S EDUCATIONAL FUND; WORLD HEALTH ORGANIZATIONS; AND THE DEPARTMENTS OF AGRICULTURE, COMMERCE, AND STATE. WE HAVE ALSO INCREASED OUR COLLABORATION WITH THE CATHOLIC RELIEF SERVICES, PROJECT HOPE, PARTNERS FOR PRODUCTIVITY, AND OTHER BILATERAL DONORS, INCLUDING THE GOVERNMENTS OF CANADA; GERMANY; THE UNITED KINGDOM; SWEDEN AND SWITZERLAND. ONLY WHEN PEACE CORPS' PROGRAMS COMPLIMENT THE EFFORTS OF OTHER DEVELOPMENT ORGANIZATIONS, CAN ITS VOLUNTEERS' POTENTIAL AND ITS DEVELOPMENT EFFORTS BE MAXIMIZED.

CONCLUSION

PEACE CORPS RECOGNIZES THE CURRENT AND POTENTIAL IMPACT OF THE VOLUNTEERS. THIS TESTIMONY AND THE PRINTED CONGRESSIONAL BUDGET PRESENTATION FOR FY '88 SENT TO CONGRESS EARLIER THIS MONTH, CLEARLY ILLUSTRATES THE TREMENDOUS ACCOMPLISHMENTS OF THE OVER 5,500 VOLUNTEERS NOW SERVING IN 62 NATIONS AROUND THE GLOBE.

THE CONGRESSIONAL BUDGET PRESENTATION ALSO DETAILS THE AGENCY'S ACTIVITIES AND GOALS FOR THE UPCOMING YEAR. IT COVERS OUR RECRUITING EFFORTS; IMPROVED TRAINING AND SUPPORT OF THE VOLUNTEERS IN THE FIELD; REGIONAL OPERATIONS AND OUR PRIVATE SECTOR RELATIONS AND PARTNERSHIP ACTIVITIES. IT ALSO DETAILS THE ESCALATING ADMINISTRATIVE COSTS, MANY OF WHICH ARE BEYOND THE AGENCY'S CONTROL, WHICH ARE AFFECTING THE ABILITY OF THE PEACE CORPS TO MAINTAIN ITS CURRENT LEVEL OF PROGRAMS AND VOLUNTEERS.

THE ADMINISTRATION'S REQUEST TO CONGRESS FOR A FUNDING LEVEL OF $130,682,000 FOR FISCAL YEAR 1988 WILL SUPPORT APPROXIMATELY 2,900 NEW TRAINEES AND MAINTAIN A LEVEL OF ABOUT 5,000 VOLUNTEERS IN 62-63 DEVELOPING NATIONS. ALTHOUGH SEVERAL

COUNTRIES HAVE EXPRESSED AN INTEREST IN HAVING PEACE CORPS PROGRAMS, WE HAVE SET ASIDE MONIES FOR POSSIBLY TWO NEW COUNTRY ENTRIES.

IN MY SIXTH YEAR AS PEACE CORPS DIRECTOR, I HAVE SEEN A GREAT NEED AROUND THE WORLD. I HAVE SEEN OUR VOLUNTEERS MAKING A DIFFERENCE, AND I CONTINUE TO BE ENTHUSIASTIC ABOUT OUR ONGOING PROGRAMS.

I REMAIN GREATLY TOUCHED BY THE TREMENDOUS COMMITMENT OF THOUSANDS OF AMERICANS, OF ALL AGES, WHO COME FORWARD IN RECORD NUMBERS TO GIVE SO MUCH SO THAT THOSE IN THE DEVELOPING WORLD CAN HAVE A BETTER LIFE--BUT MORE IMPORTANTLY, SO THAT ALL THE PEOPLES OF THIS WORLD CAN HAVE A BETTER CHANCE FOR TRUE PEACE THROUGH INCREASED UNDERSTANDING OF OUR FELLOW MAN.

THANK YOU.

EXAMPLES OF LONG-TERM PEACE CORPS PROGRAM IMPACT

Deaf Education: Philippines

Peace Corps Volunteers established a school for the deaf. The project began by training Filippino graduate students in the methods of deaf education. Two of these graduates became the first teachers for the school. Through donations, these teachers were given salaries and a classroom along with desks. The Volunteers and the other teachers went into the countryside to find pupils. The students were given room in a boarding house, with house-parents, and jeep fare to return home on weekends.

Since its beginning, the school has been independent of Peace Corps guidance. It has received donations from other organizations for school equipment and is going strong.

Teaching English as a Foreign Language: Tunisia

Peace Corps Volunteers were instrumental in assisting in the formation of a nation-wide Teaching English as a Foreign Language (TEFL) program, including the formulation of tests still used in high schools throughout Tunisia.

During the period of Peace Corps involvement, over 100,000 Tunisian students were given instruction in the English language by Volunteers. By the late 1970's, the program was regarded as being so viable that continued Peace Corps involvement was no longer necessary.

At the present time, and as a direct result of Peace Corps involvement, Tunisia is producing all the English teachers it needs within the country, and is also exporting Tunisian teachers to other Middle-Eastern countries.

Training Laboratory Technicians: Morocco

Off and on during the period beginning in 1964 and ending in 1980, Peace Corps provided medical laboratory technicians to regional and local medical labs in Morocco.

For instance, during one period from 1978-80 one Peace Corps Volunteer lab technician worked at the Marrakech Provincial Epidemiological Laboratory to develop water testing procedures. This same Volunteer extended his service in order to test and analyze dairy products and other foodstuffs. His work was instrumental in diagnosing sources of a 1979 cholera epidemic.

The project to provide training to medical lab technicians now continues under the Ministry of Health without further assistance from Peace Corps.

Establishment of Child Health Clinics: Malawi

In 1968 to 1970 forty-five Peace Corps Volunteers were placed all over the country to establish "Under-five" clinics for preventive health, nutrition education and malnutrition detection purposes. They worked in conjunction with the Ministry of Health in training personnel, creating the structure of the institution and raising the awareness of the people towards their purpose. However, in 1970 when Peace Corps was asked to leave Malawi, the Peace Corps cooperation ended.

In 1983 a return Volunteer form the Malawi project visited that country. He found that the project they had begun in 1968 was now ten-times the size than when the Volunteers had left. Today, "Under-five" clinics are located all over the country into even the most remote areas. Employment has been created for young women as health care workers in villages running clinics and for other acting as coordinators within districts. Only by the structure that the Volunteers created were other organizations, such as UNICEF, able to assist in the growth that resulted in such an institutional success.

Fresh Water and Health: Zaire

In 1980, Peace Corps Volunteers began a project to improve the quality of local spring water in the village of Kongolo. Over a four year period, a total of 6 Volunteer were invloved in training the village nurses and the local volunteers on how to improve the water springs, maintain the spring box and teach village mothers about the relation between clean water and health.

In December 1984, all Peace Corps assistance ceased. The project is currently being administered by the Kongolo Hospital Rural Health Zone. There is one salaried manager and eight volunteer village workers organizing in over 25 villages.

Sweater-Knitting Cooperative: Ecuador

As an example of one of many community development projects throughout South America, a Volunteer in Mira, Ecuador suggested that the local women knit sweaters to make money. Knitting needles and organizational skills to create a cooperative were contributed by the Volunteer. The women were successful. Where they could earn 50 sucres, (Ecuadorian unit of currency) for eight days of labor in the field, they could now earn 68 sucres for knitting one sweater.

Within a year, the 40 women in the cooperative were knitting 120 sweaters per month and had saved 6,500 sucres. Ten years later, the Volunteer returned to find 1,000 families in two provinces producing 6,000 sweaters a month. Industry was booming.

Animal Production: Ecuador

Beginning in 1970 and ending in 1974, three Peace Corps Volunteers were involved in a project to train local pig farmers management practices. This included the genetic improvment of existing pig stock through extension services and the low cost provision of stock.

The Santo Domingo Pig Reproduction Center was turned over to the Ministry of Agriculture. In 1976, the Ministry invested approximately $40,000 U.S. in infrastructure and for the purchase of breeding stock. Currently the project is 400% larger than it was in 1974 and is still growing. Approximately 500 pure bred piglets are sold yearly. The beneficiaries of this project number a minimum of 200 small farmers yearly.

LETTER FROM LORET MILLER RUPPE

April 17, 1987

Honorable Claiborne Pell
Chairman
Committee on Foreign Relations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing in response to your earlier letter requesting an update to the plan submitted last year for attaining a volunteer strength of 10,000. We continue to feel very strongly that such an increase would be very much in the best interests of overall U.S. foreign policy. We also recognize, of course, that any such plan must conform to national economic planning objectives.

As you know, the original plan reflected assumptions about funding levels for FY 1987 which did not occur. The impact of lower funding levels this year would normally be seen in lower volunteer levels in FY 1988 and FY 1989. We feel that these reductions can be minimized by a more rapid increase in our trainee levels in these two years, but some impact on total volunteer levels will be inevitable.

We estimate that the annualized impact of the Federal Employees' Retirement System (FERS) and the 1987 and 1988 pay raises to be between $2.5 million and $3.4 million. We estimate that FAAS costs will rise by between $.3 million and $2.3 million between now and 1992, while FECA costs will rise by between $1 million and $3 million. Other uncontrollables (rents, mail, severance pay, and communications) are projected to increase by between $1 million and $4 million. Estimates of the impact of currency revaluations and in-country inflation are, as you know, dependent on both the international trade situation and the economic situation in each country in which we serve, and are therefore very difficult to predict. If we assume roughly the status quo, we would project a need for roughly $2 million each year to preclude a reduction in real dollars available for our programs.

The net effect of these projections, partially offset in FY 1987 and FY 1988 by lower volunteer levels, would be to revise the budget requirements identified in our original plan, as follows:

	Original plan	Revision
FY 1988	146.2 million	149.4
FY 1989	157.0 "	164.7
FY 1990	172.8 "	182.4
FY 1991	185.3 "	197.8
FY 1992	196.2 "	210.9

We are continually seeking ways to reduce our operating costs, so some reductions to these estimates may be possible. As with any projections so far into the future, our revised plan reflects our best estimates of future costs, assuming that authorizations and appropriations will occur in a timely enough fashion to permit effective planning for orderly growth.

We would be happy to answer any questions you may have about these revisions. We greatly appreciate your continued interest in Peace Corps' programs. We completely agree that the long range value to the United States of our continued people-to-people support to the developing world can not be overestimated.

Sincerely,

Loret M. Ruppe

Loret Miller Ruppe
Director

PEACE CORPS--ACTIVITIES ON DEVELOPMENT EDUCATION

I. Background and Goals

The Office of Private Sector Relations/Development Education (OPSR/DE) was created by the Director of the Peace Corps in 1981 in direct response to the Administration's strong emphasis on private sector initiatives. By encouraging the private sector to participate in Peace Corps activities, awareness of the agency's mission and its effective work around the globe is stimulated and a demand for further education created.

This office was initially called the Office of Private Sector Development, and became home for the Peace Corps Partnership Program, an appealing program created in 1964 offering an opportunity for personal involvement with Peace Corps Volunteers and communities overseas to American donors. A Gift-In-Kind Program was also instituted in 1982 to respond to, encourage and facilitate offers of material goods and services from the private sector.

Demonstrable growth was achieved in both of these programs by this newly focused concentration. Strategies to maximize their exposure during the 25th Anniversary were developed, and participation greatly increased as a result.

The educational events programmed for the 25th Anniversary took place for the most part on the campuses of colleges and universities. The Peace Corps Director saw this as an opportunity to revitalize the relationships which had existed during the early days of the Peace Corps between the Agency and American institutions of higher education. A new program was instituted for Education Liaison, and at the same time, reconnection with and service to the 120,000 former volunteers were strengthened as a high agency priority. Concurrently, the Private Sector Office became the Office of Private Sector Relations/Development Education, changing its name to reflect its expanded scope and responsibilities. Two additional programs which have since been added, to follow up on and take advantage of non-agency resources in strengthening both overseas programming and development education capabilities, are Community Development and Private Voluntary Agency Co-ordination.

II. OPSR/DE Program and Projects

PEACE CORPS PARTNERSHIP PROGRAM

The Peace Corps Partnership Program offers a unique combination of financial assistance and cross-cultural exchange. Since its inception in 1964, this program has provided thousands of Americans with the opportunity to participate in vital projects undertaken by Volunteers and their host country communities, and to become personally involved with these overseas communities and knowledgeable of the issues which confront them.

It became obvious that the Peace Corps Partnership Program was the best development education tool that the agency had, and efforts were made to expand it which have been greatly successful. Outreach was made to corporations, foundations, school, church and civic groups, and individuals; two promotional films were created for which such a demand arose that an on-loan program has been developed to maximize their availability; a Teachers Guide to using the PCPP as a social studies/development education tool has also been developed and proven extremely popular.

In FY 1981, PCPP contributions totaled $42,372.00. FY 1986 contributions totaled $246,486.75, funding 91 projects overseas.

GIFTS-IN-KIND

The OPSR/DE encourages the donation of certain in-kind contributions -- materials, supplies, equipment and services. Examples of the types of gifts-in-kind considered are transportation (land, sea and air) within the U.S. and abroad; medicines and medical supplies; educational materials; agriculture supplies; and equipment. Since its inception in

1982, the Gifts-In-Kind Program has facilitated the donations of materials and services valued at over $500,000. Donors are provided with informational materials about the projects and recipients of their gifts.

EDUCATIONAL LIAISON ACTIVITIES

American institutions of higher education are a vital resource to Peace Corps as well as to the nation as a whole. Not only do these colleges and universities supply the majority of Peace Corps recruits, they supply specialists and expertise for many overseas programs and provide potential for innovative and and productive cooperative ventures.

During the 1986-1987 academic year, Peace Corps launched an under graduate internnship program which allowed eight Dartmouth College students to spend one term in Peace Corps offices overseas. The preliminary evaluation is very positive and suggests expansion of the program in 1987-1988.

Peace Corps and Stanford University are jointly hosting a meeting in March of fifteen presidents of representative colleges and universities to advise Peace Corps on joint undertakings for mutual benefit. Ministers of Education of three Peace Corps countries will also attend under the sponsorship of USIA.

We are developing a program for returned Peace Corps Volunteers at the University of Southern California that will combine study toward a masters degree in teaching English as a second language with full-time employment in the Los Angles public schools. This program will be an analog to the one in math and science at Columbia Teachers in New york City. Twenty RPCVs would be enrolled in the first year.

Peace Corps is now preparing to accept, on a pilot basis, volunteers for tours of duty less than two years. Possible applications include assignments for teachers on one-year leaves of absence or sabbaticals, and special groups; e.g. fifth year dental students at Harvard University who would spend six months overseas on a rotational basis. Returned Peace Corps Volunteers constitute another target group for short-term assignments.

We are developing several joint master's degree programs that combine on-campus course work with Peace Corps Service as requirements for the degree. The program with Rutgers/Camden in Public Policy has been announced, and others, including agriculture at Michigan state and Cornell and special education at the University of Massachusetts, are in planning stages.

This office is eager to promote creative undertakings with junior and community colleges. The two year institutions often command more of the skills Peace corps is seeking than do universities.

We are working on several programs that will enhance the appeal of Peace Corps to minority group members. We seek greater cooperation with America's historically black colleges ands universities.

This office has become the focus of discussion of a "reverse Peace Corps." We are also involved in the Peace Corps response to to the growing public interest in "national service" and, specifically, the Hesburgh Program of scholarships for undergraduates that would prepare students for Peace Corps service in the way ROTC scholarships prepare students for military service.

RETURNED VOLUNTEER SERVICES

Volunteers about to finish service and those who have recently returned frequently need assistance in career choices and development. Service to the Returned Volunteer include employment and educational counseling, and relationships are keep current with corporations, foundations and educational institutions and other private organizations whose human resources are ideally met by the employee who has had an international experience and whose commitment to service has been demonstrated.In addition to the personal assistance to the volunteer which is the primary focus of these services, American institutions benefit by understanding the valuable resources the Returned Volunteers represent.

The employment of the Returned Volunteer in the workplace as well as his/her presence in the civic community is a unique resource to the locale in terms of one-on-one exposure to the Peace Corps experience. RPCVs have individually contributed to the furtherance of the Third Goal in this way.

DEVELOPMENT EDUCATION (Community Development)

OPSR/DE is developing programs through which the Peace Corps can promote a better understanding of other people on the part of Americans. This mandate is better known as Peace Corps' third goal. OPSR/DE's development education programs take a variety of forms, including active involvement by Peace Corps in disseminating information and other activities which contribute to educating the public about the developing world.

Peace Corps, in partnership with over fifty Returned Peace Corps Volunteer (RPCV) groups across the U.S., coordinated a special development education program during 1986 National Volunteer Week. Over 1000 Returned Peace Corps Volunteers (RPCVs) participated in this initiative entitled "The Back to School Speakers Program" and spoke to more than 20,000 elementary and secondary school students and teachers. RPCVs, utilizing personal slides, artifacts and other audio-visual materials describing their Peace Corps experience, discussed the role of Peace Corps in development, the importance of understanding foreign cultures and global interdependence.

OPSR/DE plans to expand the outreach to Americans during 1987 National Volunteer Week. U.S. community organizations to be tapped include the nationwide network of local YMCA clubs and the more than 10,000 U.S. Department of Agriculture extension agents representing 4-H clubs, home economics clubs, food and nutrition programs, and conservation and natural resources programs around the U.S. Information will be provided to participating RPCVs on how to mobilize Americans to assist development efforts abroad through the Peace Corps Partnership Program and other development programs.

Peace Corps' 16 area office Public Affairs Specialists (PAS) have been trained to respond to the development education needs of local U.S. communities. Specific development education activities conducted by our PASs include development issues fora, special events campaigns (i.e. Black History Month, World Food Day), and media interviews on development issues and Peace Corps activities in host countries.

To continue the successful series of 36 symposia held around the U.S. during Peace Corps'25th Anniversary year, OPSR/DE is continuing to organize on a regional basis up to ten symposia during 1987 examining America's partnership with the developing world. These symposia will continue to involve cooperation between Peace Corps, universities and secondary schools, World Affairs Councils, city offices of international affairs, and other international community groups.

OPSR/DE is coordinating the writing and dissemination of brochures on how Americans interested in international development can utilize RPCVs as catalysts for discussion and action on important development issues facing the U.S. Brochures completed to date include how to use RPCVs in the classroom and how RPCVs can serve as a valuable resource to America's important international and domestic agricultural partnerships.

Plans are underway to expand the very successful Development Forum column that reached 22,000 high school and college_newspapers during FY1986. Anew international development topic of concern to Americans is being explored by the agency for the 1987 renewal of this important column. Community newspapers around the U.S. are also being targeted for the expanded outreach of the column.

OPSR/DE is currently developing resources and opportunities for development education participation in the U.S. that will be made available to current Volunteers. A new section in the Volunteers Close of Service manual outlines development education activities in which Volunteers soon to return to the U.S. can participate. In addition, a film suggesting ways in which RPCVs can "bring the world back home" will be produced this spring and distributed to all Close of Service conferences.

PRIVATE VOLUNTARY ORGANIZATIONS LIAISON

The growing community of private voluntary organizations involved in international development offers an opportunity to create collaborative programs abroad, which prove cost-effective and efficient as well as rewarding to the participating volunteers. These relationships are also fostered and coordinated through the Private Sector Relations Office.

A new program in this office, the following are program goals for 1987:

- Dissemination of Peace Corps Initiatives and Guidelines to PVOs.

One approach will be to publish a short guidebook for planning such arrangements -- the PeaceCorps programming process, programmatic emphases, and appropriate points of entry.

- Compilation of PVO Information to Assist Peace Corps Programmers.

Develop a central computerized system of information on PVO programs overseas and Peace Corps' collaborative arrangements with PVOs worldwide. Systematic use of the database by Peace Corps, country, regional and technical programming staff will help Peace Corps to develop new programs and profit from past experiences. Similarly, current information about PVO strengths and interests and suggestions for collaborative programming will be compiled and periodically disseminated to programming staff.

- Exploration of New Collaborative Opportunities

One option currently being explored as a new collaborative arrangement is bringing Peace Corps programs to new countries by assigning a small number of volunteers directly to PVOs in countries without permanent Peace Corps staffs. Another initiative is to explore arrangements to assist superior volunteers and staff to move directly into development assistance careers with PVOs working overseas.

A final area is encouragement of PVO collaboration in Peace Corps' developing Third Goal public education programs. The domestic programs of the international voluntary organizations are valuable fora for Peace Corps participation.

Several activities are not specially focused on implementation of the Third Goal, viz., some of the expenses projected for the Peace Corps Advisory Council, PVO Collaborations, and individual services to Returned Peace corps Volunteers. Nevertheless, relationships with the private sector in these areas all have numerous threads which serve to tie together a strong outreach to the American citizen. Peace Corps and the Returned Volunteer community seek to educate and enlist as many Americans as possible in the realization of the critical stake which the United States has in the developing world.

III. Staff and Budget

Resources allocated to the Office of Private Sector Relations/Development Education for FY 1987 total $756,800, and thirteen employees presently staff its programs, of whom twelve are Returned Volunteers.

A summary breakdown of projected OPSR/DE expenses is as follows:

	(includes salaries)
Partnership/Other Contributions	**165.3**
Gifts-In-Kind	**69.5**
Education Liaison	**78.3**
Returned Volunteer Services	**83.6**
Community Development	**126.0**
Private Voluntary Organizations	**64.7**
National Advisory Council	**105.0**
Administration	**89.4**

* in thousands of dollars.

I. Background and Goals

Peace Corps has always enjoyed high name recognition, but today public recognition and understanding of the Agency's goals and accomplishments has been less than encouraging. The goal of the Office of Public Affairs is to build respect and credibility for the Peace Corps as an international institution and a resource to every community and individual in America. A higher public profile would also attract a larger number of qualified applicants.

In this first year of Peace Corps' second quarter century, the Office of Public Affairs has several strategies to promote public awareness of Peace Corps' Three Goals through effective communication with all of its constituents.

II. OPA Programs and Projects

THE VOLUNTEERS AS A RESOURCE

Stories about the Volunteers and their experiences have proven to be the main source of our public awareness. With a better flow of information from overseas, the Office of Public Affairs distributes news reports ("hometowners"), written by Peace Corps Volunteers (PCVs) about their experiences, to local newspapers; we establish this relationship before the PCV leaves the U.S., where his or her hometown publication agrees to publish monthly or quarterly columns, during the next two years. By sharing the richness of their experience, they bring the issues of the developing world to life.

Few people recognize the significant contribution PCVs can make after their service overseas. They are our greatest resource in global education, recruitment and private sector involvement. Area office public affairs specialists initiate media and public speaking appearances for Returned Volunteers. A valuable resource for newsmakers local community organization, the Volunteers are tapped as experts for more informed coverage of developing issues. Their first hand experiences overseas offer a unique opportunity to television and radio talk shows, opinion columns, special interest publications, newsmaker forums and more. The area offices are important links in building Peace Corps institutional presence and involvement in communities related organizations, schools, universities and others.

TARGETED COMMUNICATIONS

Peace Corps also targets its communications to ensure that constituencies with common interests are well aware of its activities and accomplishments. The Public Affairs Office distributes news and analysis of initiatives in health, education, and agriculture for example, to trade and other publications specializing in those issues.

On a national and local level, Peace Corps actively participates in special events such as World Food Day, National Volunteer Week, and Older American Month, highlighting the Peace Corps Volunteers' role and contributions. By publicizing and coordinating these efforts, we highlight the developing world's close relationship to every community in the U.S.

AD COUNCIL

We continue to rely on the Ad Council's production and distribution of public service announcements for the broadcast and print media. They have provided creative services amounting to more than $30 million each year in free advertising alone. This and other in-house efforts produce in excess of 100,000 annual public inquiries. In addition to the national advertising campaign, we produce films, videos, photographs and other print materials distributed throughout the country.

PUBLICATIONS

The Peace Corps Times, Peace Corps' only periodical, is a multipurpose magazine. Each issue has an in-depth feature on Peace Corps Volunteers in a particular country plus short stories in their third goal efforts and gives current Volunteers ideas to use when they return to the U.S.

Although its primary readers are PCVs overseas, the Peace Corps Times has a wide stateside circulation to help advance the Third Goal. The Times is distributed through our 16 area offices across the country and the college campuses. It is also mailed to over 500 schools libraries, 100 private voluntary organizations and Members of Congress.

The Peace Corps has recently published Peace Corps in the 80's , covering the work of Peace Corps from 1980 to the present, and highlighting programs and initiatives being developed for the remainder of the decade. Peace Corps in the 80s will be distributed to colleges and universities across the country, government agencies, the private sector, national and international voluntary organizations, research institutes, international corporations, and Ambassadors from the countries in which Peace Corps serves.

Peace Corps in the 80s will serve as a valuable informational and educational tool for all Americans.

PREPARED STATEMENT OF DOUGLAS SIGLIN

My name is Douglas Siglin. I lived and worked as a Peace Corps Volunteer for more than three years in Zaire, a huge African country most Americans have never heard of. Eighteen months ago I volunteered to lead a national committee of returned Peace Corps volunteers -- we call ourselves RPCVs -- to plan an independent celebration of the Peace Corps' 25th Anniversary. Our group felt strongly that the silver anniversary of the Peace Corps experience was an important date for RPCVs to mark, and that the appropriate vehicle should not be just a reunion, a party, or a retrospective, but rather a conference to seriously discuss the world of the 1980's and the appropriate contribution that Peace Corps -- and its returned volunteers -- could make to it. With the help of some good friends, including some who are here today, and with cooperation from the Peace Corps itself, more than 4000 RPCVs marked the 25th anniversary of the Peace Corps in a way which I think successfully accomplished our objectives.

I'd like to take this opportunity to offer you a few brief thoughts about today's Peace Corps which are representative of that weekend's discussions. Let me make clear from the start that I deeply believe the Peace Corps as a government program is a superb idea and an entirely appropriate representative of the American people in the developing world. It continues to be a unique and unlikely government-sponsored program which asks American men and women to voluntarily and without compensation leave their homes and families, live in conditions of relative hardship among people with whom they have little in common, speak languages they hardly know and eat foods they hardly recognize, just to teach skills that will do little -- at least in the short term -- to change the world. But the respect that the Peace Corps earns among those who know it can hardly be measured. And, moreover, it is effective, if only in the long term. Its type of assistance, on based promoting self-sufficiency by working in the local language and culture, is absolutely essential if we are to help in the economic progress of individuals and eventually nations.

I also believe that today's Peace Corps is doing a generally excellent job. Peace Corps organization is full of talented, dedicated people -- many of them returned volunteers -- led by one of the most capable persons in government, Loret Ruppe. Peace Corps has worked hard to learn and integrate into its programs the lessons of its twenty-five years. ~~It is perhaps more creative and more flexible than any other agency of the government.~~ The only serious fault I see with Peace Corps programs is that there are not enough of them.

However, let me briefly mention four areas in which I think Peace Corps should move to keep pace with a rapidly changing world.

I. INCREASED PEACE CORPS EMPHASIS ON RECRUITING SKILLED VOLUNTEERS

First, I think that the Peace Corps must be prepared to deal creatively with a problem which will continue to grow: the demand for volunteers who are highly skilled in professional fields. One of the most sacred tenets of Peace Corps' philosophy is that it must respond to the requests of host country governments rather than tell governments what they must accept. Peace Corps therefore does not have the luxury of sending to its host countries the kinds of volunteers it has in ready supply, but rather it must recruit volunteers to fill requests. The trend seems to be that as skills are learned and more trained persons enter the labor pool, host countries ask Peace Corps for more and more highly skilled volunteers. Yet it is understandably difficult to attract highly-skilled persons to work in the relative hardship abroad that can make such work really effective.

In addressing this problem, Peace Corps must not succumb to the temptation to modify its requirements, but rather it must develop new programs to attract skilled volunteers who will work in the requisite conditions. I think that the solution lies in two areas:

1) The development of cooperative programs with specialized groups and associations who can assist Peace Corps in recruiting scare skills. Such organizations could include professional societies and associations, colleges and universities, RPCV groups, even federal agencies. These associations must be nurtured and continually reinvigorated, and must not be allowed to fade away as time goes by.

2) The development of programs to offer opportunities for Peace Corps service outside the framework of the traditional two-year obligation. There may well be millions of highly-skilled persons in the United States willing to serve but unable, for one reason or another, to commit themselves to two years of service. Likely target groups include retired persons, educators on sabbatical leaves, or public officials on furlough for professional development.

There is, frankly, some opposition among RPCVs to a suggestion such as this, and it certainly has budgetary implications. But this is one area in which Peace Corps should not let tradition prevent it from keeping up with changing needs in the developing world. Such changes will require flexibility of the part of Peace Corps, since new kinds of recruits bring new kinds of challenges, but as long as the cross-cultural effectiveness of the new volunteers is not compromised, the Peace Corps will be richer for the effort.

II. INCREASED PEACE CORPS EMPHASIS ON EDUCATING AMERICANS ABOUT OTHER PEOPLES

Second, I think that in this decade and the next, the Peace Corps should give far more emphasis to the third of Peace Corps' original three goals: teaching Americans about other peoples. Several recent surveys of the American population have warned that the pervasive international illiteracy of most Americans, at the same time that our economy and security have become inextricably tied to the rest of the world, has ominous implications for our continued well being.

International ignorance has unhappy implications for our future business competitiveness, for our national security, for our national budget, and even for our national system of government -- as Members of Congress will increasingly be faced with the prospect of needing to make policies without the understanding or support of constituents.

This is an area for which Peace Corps, with its wide knowledge of the developing world and its long experience in teaching, is well suited. But it is an area to which it has traditionally given little attention, despite its enacting legislation's mandate to "help promote a better understanding of other peoples on the part of the American people."

It is now finally time for the Peace Corps, with Congressional approval, to begin to give real emphasis to its "Third Goal" through programs to help teach the American people what it has learned. The most logical way to approach this is to work with the 120,000-strong pool of RPCVs now living in virtually all the cities and towns of this country. The response to the 25th Anniversary celebrations gave impetus to a trend many of us had previously noted: large numbers of RPCVs are renewing their active interest in the developing world and appear to be ready to lead their communities in learning about -- and thinking critically about -- relations between this country and the developing ones.

RPCVs have now organized into more than 60 active groups nationwide, and there are more forming all the time. Working with these groups is perhaps not the only option Peace Corps has to assist in international education, but it certainly is the most reasonable one. However, in so doing, Peace Corps must not ignore the fact that RPCVs are, as a whole, an independent bunch, and see their groups as independent organizations, working with Peace Corps on the basis of a partnership of equals. Yet if a partnership and programs can be developed, Senator Humphey's prediction that Peace Corps' largest effect would be back home ~~could~~ will be proven beyond his wildest dreams.

III. INCREASED PEACE CORPS EMPHASIS ON PARTNERSHIPS WITH LOCAL ORGANIZATIONS

Third, I think that today Peace Corps should put more emphasis on developing organizational partnerships with a wide variety of local American institutions -- school systems, churches and synagogues, Chambers of Commerce, Boy and Girl Scout troops, and voluntary civic associations of all types.

Perhaps more than any other agency of the federal government, the Peace Corps belongs to the American people. Conceived as the centerpiece of the government of a new generation, it has taken sons and daughters -- and in some cases, fathers and mothers -- from communities around the country, reinforced their values, opened their eyes to the futility of pat solutions, broadened their horizons, and sent them back to continue life in their communities. Returned volunteers often come back with a renewed sense of public service, and their new skills learned abroad combined with their willingness to go a extra step have led them to volunteers to become the leaders of a multitude of organizations in their communities. These people, and others who once hoped to be in the Peace Corps but could not, could lead their organizations into new partnerships with the Peace Corps.

From the Peace Corps' perspective, such arrangements could allow it to create new approaches and programs with the direct participation of thousands of new actors. Its pool of applicants would surely grow, resulting in even better quality programs. It might even be that Peace Corps service would come to be popularly considered to be a real privilege, rather than a somewhat odd alternative to community or professional life.

From the community organizations' perspective, they would have the opportunity to learn some new skills that will be of use to them as our own diverse cultures come more and more into contact, and as international affairs creep into life on every Main Street. Perhaps most importantly, thru through such partnerships more and more Americans will have the opportunity to learn about the reality of the developing world and participate in attempting to bridge the greatest, least understood, and perhaps most dangerous chasm of our time: the gap between the few privileged nations and the many without much real hope of ever having what they now, through the miracle of communication technology, hear about and even see each day.

It is perhaps in this context that people will begin to understand the importance of the Peace Corps. With the seemingly unstoppable proliferation of nuclear weapons, the struggle to bridge the gap between countries such as ours and countries with little but resentment is as important over the long run as the struggle to keep the peace between superpowers. It is at the same time a struggle in our own society as to the values we hold to be important -- an emphasis on volunteering, on assisting, on working cooperatively in the pursuit of a common goal, or an emphasis on living blind and apart, fearfully protecting what we have from those who have far less.

IV. MORE CONGRESSIONAL EMPHASIS ON THE PEACE CORPS

Finally, I think the Peace Corps should be allowed to significantly grow. I realize that this is not an objective that the Peace Corps can affect internally, but rather one which must be addressed by the Congress.

The current Peace Corps program is inexplicably small in relation to what it could and should be. I understand that each year thousands of Americans are denied the opportunity to serve their country in the Peace Corps because it lacks the funds to support them. Because of this, the developing world misses out on their assistance, they themselves miss out on an important kind of education, and their communities miss out on some special leadership skills.

To say that the United States gets a high return on every dollar invested in the Peace Corps risks real understatement. Where else can the American people spend such a paltry sum of money and get in return better, more productive lives for people in desperate parts of the world, undying good will for America and her value system, a more educated, sophisticated, and motivated-to-serve group of people returning to public and private life, and an education in how to better compete in a changing world?

I understand as well as anyone that with the passage of the Gramm-Rudman-Hollings legislation, Congress is committed to a zero-sum funding exercise. Significant budget increases for a particular agency are obviously difficult when decreases for many others are the order of the day. However, as I understand it, the Gramm-Rudman-Hollings legislation does not prohibit Congress from making changes in priorities, and in fact encourages it.

The Peace Corps deserves far higher priority. Just because it is small, it should not be forever locked into smallness by the iron rule of percentages. The Peace Corps is more than a good idea, it is a good buy. Dollar for dollar, I bellieve it gives the best return in the foreign assitance accounts, and perhaps in the whole budget. Everyone believes cost-effective programs should be recognized and encouraged -- and the Peace Corps is one of them.

This year, at the very least, the requisite funds should be appropriated to allow Peace Corps to get back on track towards the attainment of the 10,000 volunteer goal set by Congress in the 1985 Foreign Assistance legislation.

Let me end with this thought. The long history of mankind has been characterized by a variety of relations -- most of them violent -- between men of differing tribes and faiths. But human progress has been significantly accelerated when men have decided to look past their differences and establish ways to work together for their mutual benefit. In today's world, the Peace Corps is the primary way that the U.S. Government is saying to a huge area of the earth, "We want to work with you for mutual benefit." The Peace Corps should be recognized as one of this nation's most important programs -- for the developing world, and for us.

Thank you.

PREPARED STATEMENT OF KATY HANSEN

Mr. Chairman, members of the Committee, on behalf of RPCVs across the nation we would like to thank you for the opportunity to testify here today.

The ranks of Peace Corps Volunteers (PCVs) returning from service overseas has passed the 120,000 mark. With our bond formed by similar experiences, our heightened interest in the global community, our insight into cross-cultural differences and our sensitivities to issues relating to the disparities among the developed and developing nations, the National Council of Returned Peace Corps Volunteers is forging a voice for efforts to educate our fellow Americans about where we have been and the development assistance policy issues facing this nation.

The National Council has opened a permanent office in Washington, D.C., to implement our primary goal: increasing understanding in the United States of the Third World which is the Third Goal of the Peace Corps. We are building a national network of Returned Peace Corps Volunteers (RPCVs), already with 29 affiliated organizations around the country, 2,700 individual members, a quarterly newspaper and bulletin, and yearly conferences in different parts of the country attracting nation-wide participation. Both the 20th and 25th Anniversary Peace Corps Conferences were initiated and cosponsored by the National Council and each marked important milestones in developing our national constituency.

The National Council administers a Development Education Program, funded by a Biden-Pell grant, the Carnegie Corporation, and our members, which enhances RPCV efforts to share their knowledge in their local communities. It provides technical assistance and training workshops. It links RPCVs to private voluntary organizations also active in development education.

The National Council has developed an agenda which includes:

* assisting Peace Corps Volunteers abroad, returning Peace Corps Volunteers when they come home, and prospective volunteers.

* supporting the work and programs of Peace Corps and contributing to its policy-making process.

* fostering a strong national network of RPCVs, RPCV organizations and their supporters.

* giving Returned Peace Corps Volunteers a voice in our country's political and commercial policy on issues such as international development and foreign relations.

* informing Returned Peace Corps Volunteers of opportunities in education, employment and social activities.

* extending Peace Corps idealism and volunteerism into local community activities.

* assisting refugees, immigrants and visitors; to be generous hosts, in the same spirit with which Peace Corps volunteers are received as guests in foreign lands.

These objectives have been broadly discussed by disparate members of the Peace Corps community. In July last year, the

Citizens Committee on Future Directions for the Peace Corps met in Fort Collins, Colorado. Some 150 participants, mainly former volunteers and staff, put four days of creative thinking into a commonly held objective:

"To give Peace Corps, this unique American institution, the opportunity to fully live up to the mandate to which it has been given so as to be an increasingly effective instrument for the promotion of world peace and mutual understanding through people-to-people development work."

Within this objective lies our two tasks:

1. Rebuilding the Peace Corps
2. Bringing the world back home

Rebuilding the Peace Corps to 10,000 volunteers in the field has been mandated by Congress and and you are the people who can help Peace Corps realize this mandate which is in the interest of the United States. Include in the blueprint for the future appropriations of the funds to support the 10,000 volunteers by 1992.

The National Council strongly endorses this goal. This level of volunteers is not an unreasonable target, though it is clear that programming must be done very carefully. There are more than enough requests for 10,000 PCVs overseas if this Congress would appropriate the funds.

The Peace Corps continues to be the most effective tool we have ever discovered to support our ideals abroad. This Congress must understand this and act on our behalf. Funding at $146 million is required "to live up to the mandate." Certainly this Congress should be expected to fulfill the very law they have passed.

To reach 10,000 Peace Corps Volunteers in the field, Congress requested and Peace Corps submitted the following schedule of appropriate funding for the task:

Year	Peace Corps Budget ($ millions)	PCVs each year
1987	137	6,108
1988	146	6,630
1989	157	7,686
1990	172	8,581
1991	185	9,307
1992	196	10,054

The 1987 Peace Corps appropriation was $130 million, not enough to begin the process of rebuilding. For 1988 the National Council encourages every RPCV in the country to press in the first instance, not for a new or unscheduled appropriation, but merely for what Congress has requested. By appropriating the $146 million necessary for the task, the work of the Peace Corps will continue and grow as the Congress in its wisdom has foreseen.

This Congress can also improve the Peace Corps by adopting Senator Pell's recent Voluntary National Service and Education Demonstration Program Act. The National Council encourages serious consideration and adoption of this program. Under Title II of the act, the Peace Corps Training and Educational Benefits Demonstration Program would make a serious attempt to match the long held enthusiasm for training for war with our equal interest in preparing the youth of our country for peace projects.

In talking about the program, Fr. Theodore Hesburgh of Notre Dame says, "There would be additional benefits to the nation. The Peace Corps continuity and permanence would be assured. Leadership would be enhanced and maintained. Universities would once again become connected with the Peace Corps, as they were so fruitfully in the beginning. And one great lack, so often voiced about universities and American students today would be suddenly addressed: the provincialism of students, the lack of international concerns, the dearth of Americans who can speak both the main and the esoteric languages of the world. Finally, it presents an attractive method of student assistance by allowing them to pay for their education by years of service, as ROTC does."

Addressing our second task we ask this Congress to consider an additional request. Included in the Peace Corps Act was the mandate for all three of the goals of Peace Corps. The first two of which we have spoken above continue to be funded with the sort of grudging parsimony one associates with far less successful or unique statements of the American spirit, but the Third Goal, the one built in by Congress to ensure the success of the first two and to impact on our citizenry here at home, has received such a minuscule drop of fiscal attention as to be unworthy of mention in these halls. We urge this Congress for specific funds to be earmarked for "bringing the word back home," and be added to this year's appropriation.

Bringing the world back home has enormous ramification clear through the fabric.of our nation. Properly funded in could affect a vast number of Americans in a remarkably short time. The superstructure is in place. 120,000 RPCVs, peppered throughout our communities, in every walk of life, are barely being tapped. Once again no one is asking us how we might like to assist our country in making a difference. There is a sleeping giant across the land that this body could awaken with scant funding. The National Council, through the excellent Biden-Pell bill has begun work with this constituency and can document the interest and the expertise waiting to be asked further. Additional funding in this year's appropriations would galvanize the development education arm of the Peace Corps and its alumni association, the National Council. Programs reach into the heartlands:

* Speakers' Bureaus of and for RPCVs working in education
* An international visitors network
* A Peace Corps high school awareness program

* A network linking RPCVs with the media
* Publication of a magazine devoted to "bringing the world back home"

This would rebuild the Peace Corps here at home and raise the consciousness of millions of Americans.

Volunteerism, that unique national characteristic which separates us from most nations, created the Peace Corps institution and has attracted over one hundred thousand Americans.

The ideals and values that volunteers embrace are the heart and soul of our nation. Not everyone is cut out to live in the Third World nor to deal with a foreign culture, but some are, and some are today, in the United States Peace Corps which is the single vehicle left for Americans who want to be involved in a hands-on way to help those who have the smallest chunks of the global pie. We are a group of Americans who responded when asked to serve their country, who care deeply about America's role in the community of nations who have a common commitment to peace through a shared engagement with workers in 93 countries of service. This Congress must respond to this trait in the American people. We urge you to support a program which has caused no crisis headlines nor offended any national community in two and a half decades of unceasing commitment abroad.

And each year the Peace Corps is responsible for molding yet another group of Americans moved by the needs of the Third World and returning home to thousands of communities across the country. The work of the Peace Corps, its programs in developing countries, and the issues surrounding America's foreign aid program are of vital interest to the members of the National Council and to the leaders of our country. We intend to keep the Peace Corps strong and relevant. We ask your help.

SUMMARY OF A MEETING OF COLLEGE PRESIDENTS AND PEACE CORPS SENIOR STAFF

A recent two-day dialogue renewed historic ties between the Peace Corps and colleges across the country . . . large and small, public and private, men's and women's, historically Black . . . all ingredients in the original Peace Corps formula. Despite their educational diversity, they found consensus on many issues confronting the Peace Corps as it enters its second quarter century.

On the topic of expanded opportunities for service, the presidents endorsed:

- A unique plan developed by Notre Dame's outgoing President, Father Ted Hesburgh, which would establish scholarships for peace studies and Peace Corps preparatory work on the same model as ROTC; and
- Legislation developed from the Hesburgh plan and introduced in the Senate by Sen. Claiborne Pell, which would enable model programs to be set up at different types of campuses.

On the topic of minorities and the Peace Corps, they suggested:

- Peace Corps enhance its image as a career path for Blacks;
- More Blacks and other minorities be appointed to policy-making positions at the Peace Corps; and
- More financial incentives for service, such as the Hesburgh plan, be instituted.

On the topic of internationalizing higher education, they suggested:

- Development of more undergraduate and graduate opportunities for exposure to overseas service;
- Exchanges of faculty and medical and dental students; and
- Expanded internship programs for undergraduates.

Overall, the meeting was an important first step toward re-establishing the vitality of the relationship between the academic community and Peace Corps.

REPORT ON A MEETING OF COLLEGE AND UNIVERSITY PRESIDENTS AT STANFORD UNIVERSITY

March 16-17, 1987

Background

The Peace Corps was born on a college campus. The idea that became the Peace Corps was first expounded by Presidential candidate John F. Kennedy at the University of Michigan; much of the staff which fostered the development of the Peace Corps in its infancy was recruited from university faculties; virtually all of the training of Volunteers was done by university faculty on university campuses; and, perhaps most important, the Volunteers were recruited from college campuses. All of this added up to a spirit of enthusiasm that motivated the Peace Corps and accounted for its rapid growth to more than fifteen thousand Volunteers in only five years. Over the last twenty years, however, this relationship has deteriorated. The Peace Corps has hired staff with skills previously found on campus; training was moved overseas for reasons of efficiency and cost-effectiveness; and the Peace Corps looked more and more to indivduals with technical skills rather than generalists. The result was that Peace Corps ceased to be a presence on campus except in the person of the recruiter. The excitement that had characterized the early days disappeared. Twenty-fifth Anniversary celebrations and symposia on many college campuses reignited many of Peace Corps' earliest relationships. University and college Presidents, Provosts, Deans and faculty members responded to a challenge issued by the Peace Corps Director to find—or re-establish—ways to cooperate.

Both our institutions of higher education and the Peace Corps recognized that something important has been lost and efforts at recovering it were well-justified. This meeting was convened to provide a forum for a select group of Presidents of representative institutions and the policy-making staff of the Peace Corps to assess the current relationship and to make suggestions for building a stronger one for the future.

The Importance of the Peace Corps in Its Second Quarter Century

Convened by Donald Kennedy, President of Stanford University, those assembled were asked to speak both as representatives of their own institutions and of the higher education community in the United States. Their reactions to several programs currently being implemented or under consideration by the Peace Corps and ideas for the future were also solicited by Peace Corps Director Loret Miller Ruppe.

That the Peace Corps remains a vital and effective force in international development was established by the testimony of the Ministers of Education of The Gambia and of Belize. Both officials pointed to the shortage of skilled personnel in many areas crucial to development in their countries and especially in the field of education. Peace Corps Volunteers address those shortages particularly in rural areas where indigenous professionals are reluctant to serve. Peace Corps Volunteers promote world peace and friendship not only through the transmission of technical skills and knowledge, but also through the development of personal relationships. Both called for America's colleges and universities to take an even more active role in promoting development in their countries through exchanges of faculty members.

The Hesburgh Plan

In September of 1986 at the memorial service at Arlington National Cemetery held to honor those Peace Corps Volunteers who died in service, Father Theodore Hesburgh, President of the University of Notre Dame, declared that students in the United States should be presented with as many options for peace work as they were for military service. There should be established a program analogous to the Reserve Officer Training Corps (ROTC) that would provide financial aid to undergraduate students who sought a career in the service of peace, and who would commit themselves to a tour of duty as Peace Corps Volunteers upon graduation, he said. Just as the ROTC program prescribes a series of military science courses, this program would offer a curriculum of "peace science." Just as ROTC participants are required to spend their summers on army bases or aboard naval ships, the Peace Corps Training Corps participants would devote their summers to service projects in rural and urban locations both in the United States and abroad. Father Hesburgh suggested that the participants in this program would study foreign language, culture, history, politics and economics appropriate to the region in which they would serve. The result would be candidates for Peace Corps service who are better prepared and more knowledgable than those who currently enter Peace Corps training. In exchange for their commitment to serve in the Peace Corps after graduation, the United States government would provide scholarships to pay for their undergradute education, just as it does for those enrolled in ROTC programs.

Senator Claiborne Pell (D-RI) has introduced a bill into the United States Senate (referred to the Senate Labor Committee's Subcommittee on Education and the Humanities) that calls for an appropriation of $5 million per year for five years to the Peace Corps to establish demonstration projects for such a program. The bill imposes no specific guidelines but directs that the Peace Corps scholarship be aimed at members of minority groups and encourage development of skills such as agriculture, forestry and special education . . . skills much in demand in Peace Corps countries and in short supply on campuses.

Hesburgh's proposal and Pell's bill are grounded in the belief that today's students are not the narcissistic, self-involved, uncaring individuals so often portrayed, but are eager to be part of the effort to create world peace and accomplish nuclear disarmament. The success of the Campus Compact, a coalition of college and university presidents committed to public service, was cited as further evidence of this fact. Support for the Pell bill as an incarnation of the Hesburgh proposal was unanimous among those at the meeting. Not only would it re-establish the Peace Corps on American campuses, but it would also generate a heightened interest in international issues producing better prepared Volunteers, and a frontal attack on the "international illiteracy" of American students.

The Peace Corps version of ROTC would not be competition for the military program but would complement it. Just as the Army, Navy and Air Force seek to identify the best potential candidates for commissioning as officers, the Peace Corps would look (probably after the sophomore year of college rather than during the senior year in high school) for individuals possessing the talent, ability and motivation to be successful Peace Corps Volunteers.

The Peace Corps progam would make use of regular faculty and, for the most part, existing course offerings, unlike ROTC programs. This is an important point, since much of the controversy surrounding ROTC over the last twenty years has focused on the reluctance of faculty members to allow course credit to be offered for courses which were taught by military personnel who did not have acceptable academic credentials and who were not members of the regular faculty. The implementation of the Hesburgh proposal, therefore, would be a relatively simple matter were the Pell bill to be adopted.

One difficulty noted by those present would be how to assess motivation for enrollment in the scholarship program, particularly in a time of growing financial need. It was also pointed out that Peace Corps language training is different – both in method and in the variety of languages taught – from that routinely offered at the college level. The intensive, in-country training that the Peace Corps currently provides would probably not be supplanted by the Hesburgh plan, which would be a supplement to Peace Corps training rather than a replacement for it. Nor does it appear likely that a discrete class of Peace Corps Volunteers would emerge from this program. Rather, graduates who had been through college on a Peace Corps scholarship would become regular Peace Corps Volunteers and would still undergo Peace Corps in-country training. Here too, the ROTC model is instructive as the services integrate officers produced by the ROTC programs with those who have graduated from the service academies and those who have risen from the ranks of enlisted personnel through Officers Candidate School.

Several other analogies to ROTC were noted. ROTC is *not*, in essence, military training; it is meant to be a broad education to prepare individuals for military service. Similarly, the Peace Corps scholarship program should ensure that recipients receive a broad, though focused education that equips them to serve effectively as Peace Corps Volunteers. Further, the ROTC program is a recruiting and screening operation for the military that permits earlier access to potential talent. The same should be true for the Peace Corps scholarship program, which would also be an important asset to Peace Corps' effort to recruit members of minority groups.

Different models should be tested if the legislation is approved, everyone agreed. One might be on a comprehensive university campus that had the capacity to provide all of the necessary components. Another might occur on a small, liberal-arts campus and might require the involvement of other institutions for some components. A variation would establish the program on an historically Black campus. It was pointed out that two-year colleges had an important role to play in such a program as they often command the skills most in demand by the Peace Corps and by the governments of developing countries. The sense of the meeting was that there was no college president who would *not* be eager to have his/her institution participate in this program.

The continuing effort to replace federal grants to students with loan programs was characterized as a threat to the health of our society by those present. We produce college graduates who are saddled with debts of such magnitude that their career path choices are severely restricted by their indebtedness. Little optimism was expressed about reversing this trend. It was suggested, though, that there is already a shift in the awarding of the reduced grant funds from "needs-based" programs toward ones that would reward service, which would present an opportunity for the Peace Corps scholarship program and increase the likelihood of its passage by the Congress.

The adoption of the Pell bill was endorsed by those presidents in attendance, who pledged to support it and suggested that the Senate subcommittee hold a series of hearings on college campuses as part of its consideration of the proposed legislation. Many were eager to see the hearings held on their campuses. Such a program would not only offer financial support for students and tangible benefits to each institution, the presidents felt, but would also represent a genuine effort by the Peace Corps to reach out to college and universities to close the breach that has developed.

Minority Group Members and the Peace Corps

Why the Peace Corps has had difficulty recruiting representative numbers of minority group Volunteers and how it might improve its approach was the next issue addressed. The discussion focused on Black Americans with the implicit understanding that much could be generalized to other racial, ethnic and linguistic minorities in the United States.

It was noted that the idea of service is an essential thread in the fabric of Black American life. Service to others was characteristic of both slaves and free Blacks in the ante-bellum period and remains true in Afro-American society. The Peace Corps, however, was launched at an inopportune moment for Black Americans. While young white men and women were caught up in the Kennedy-inspired enthusiasm for the Peace Corps in the early 1960s, their Black counterparts were caught up by another movement. They were not pulled to service in the Third World but to the streets and lunch counters of Montgomery, Selma, Birmingham and Greensboro. Thus, Blacks were effectively left out at the start, if not intentionally. But the situation has changed in America. While we are by no means a color-blind society, there is no longer the demand for soldiers in the war against white domination that may have kept many young Blacks from joining the Peace Corps twenty or twenty-five years ago.

To some, the two-and-a-half year interlude that Peace Corps represents is a delay of gratification, and for people who have been denied gratification all their lives, it is difficult to accept a further delay. This same dynamic has limited the number of Black college graduates enrolling in graduate and professional schools.

Black enrollment in colleges and universities is declining, having peaked in 1976. At a time when the number of Black high school graduates is at an all-time high, the number of Blacks receiving college degrees is diminishing. Thus, with Peace Corps aiming its recruitment effort at college graduates, there are demographic reasons why numbers are not increasing.

Many Black Americans still do not feel that they are truly part of America, nor do they "feel good" about America. If they are to carry a message of peace abroad on behalf of this country, they must first "feel good" about America and the Peace Corps itself, which unfortunately reflects American society in that there are no Blacks in the ranks of the policy-making staff. What message is sent to potential Black Peace Corps recruits?

Perhaps the most significant factor in explaining the lack of Black participation in the Peace Corps, however, is that many young Black Americans have only the haziest idea of what the Peace Corps is, if any idea at all. The Peace Corps has failed in its efforts to promote itself in this segment of the population.

Much of the foregoing was corroborated by a recent Black graduate of Stanford University who shared his reasons for considering and then rejecting Peace Corps service. Blacks view the Peace Corps, he said, in terms of interest, money and time. Most of those who are seriously interested in joining the Peace Corps have chosen college majors in the social sciences which generate the greatest interest in international affairs, an area where Blacks are even more dramatically under-represented. The selection and placement procedures of the Peace Corps seem a mystery to college students, a particularly distressing fact to Black applicants, whose interest in the Peace Corps is often predicated on service in Africa. Black students also view the Peace Corps as an expensive proposition, he said. Not only are you two years without income, you have surrendered two years of earning power. Finally, most of his Black colleagues were simply unwilling to spend two or more years away from family and friends, he said.

The Black population in America is neither monolithic nor homogeneous, as is the case with all "minorities." What is characteristic of the Black students at Stanford might have little in common with what characterizes those at the historically Black colleges and universities (HBCUs) of the South. In fact, a recent informal survey conducted by its president suggested that at least seventy-five percent of the students at Tougaloo College were there primarily to prepare to serve, rather than enhance their earning potential. The Peace Corps is easy to sell to students at the HBCUs because they are committed to service, he said. The Hesburgh program discussed earlier would be instrumental in attracting students at those institutions. Faculty and administrators at the HBCUs are very important role models for the students, carry a great deal of influence with them, and if they could be convinced to become advocates for the Peace Corps, there would be a marked increase in student interest. Winning these people over is possible but not easy and is not accomplished through mailings. Finally, there is a severe imbalance of males and females at the historically Black colleges ranging from two to three or more females for each male student. Any program that might encourage young Black males to enter college in preparation for Peace Corps service would, therefore, be heartily enbraced by the HBCUs. The United Negro College Fund (UNCF) should be enlisted by the Peace Corps to reach its institutions, which enroll over 50,000 Black students.

The question of federal loan programs vs. grant programs was a constant thread in the discussion. The massive debt that college graduates must shoulder is even more of an inhibitor to Black interest in the Peace Corps than it is to the majority population. It remains to be seen whether the recently enacted program of forgiveness of National Direct Student Loans in exchange for Peace Corps or VISTA service will have a significant impact on this problem. But as the current legislation provides absolute forgiveness only for "new borrowers" after July 1, 1987, the impact will not be felt before 1991.

Having discussed many issues that weigh against Black interest in the Peace Corps, the participants offered a number of suggestions for improving performance:

- The image of the Peace Corps needs to be improved.
- More Black Americans should be appointed to policy-making positions.
- Clear and uniform standards for recruitment and selection should be established.
- Partnership between the Peace Corps and colleges and universities should be forged.
- Peace Corps must be seen as a career path.
- Incentives such as the Hesburgh plan and additional programs of loan forgiveness based on service should be adopted.

Peace Corps as an Agent of Internationalization on American Campuses

Perhaps the greatest loss as a result of Peace Corps' diminished presence on college and university campuses has been the Peace Corps' ability to stimulate interest in international matters. Thus, one of the most significant benefits of the reconciliation now taking place is a resurgence of that influence. This is not to suggest that the Peace Corps has ever truly disappeared from the universities and colleges of this country. In fact, the number of Returned Peace Corps Volunteers among America's graduate students and in the ranks of college faculties has always been high which, in itself, constitutes an important antidote to provincialism.

Linkages with universities that provide academic opportunities for Volunteers either before or after service or both, were encouraged. Programs that would employ RPCVs as teaching assistants would be particularly efficacious in the effort to internationalize our campuses. Additional Peace Corps programs that provided opportunities for college faculty and administrators to serve overseas, perhaps on assignments of less than two-years duration, would also be well-received. The undergraduate internship program initiated by the Peace Corps with Dartmouth College during 1986-87 is particularly attractive because the interns return to the campus for a year or more after their overseas experience and act as advocates for the developing world (and the Peace Corps). The Volunteers in Asia (VIA) program, which has contributed to the international and cross-cultural awareness of students at Stanford University—including those students who have not served overseas and may have had only incidental contact with VIA—was shared with those present.

The Peace Corps should pursue its new relationship with the Campus Compact to promote and enlarge the internship program, it was agreed by all. Further, specific partnerships should be developed between American colleges and universities and universities abroad—particularly in Africa. The Peace Corps can serve as a catalyst to these relationships by brokering the exchange or loan of personnel. Overall, there is need for better communication directly between the Peace Corps (through its recruiters) and college faculty members. Recruiters should not deal exclusively with the college placement office.

Summary

All participants committed themselves to the improvement of existing relationships between the Peace Corps and colleges and universities. The Peace Corps stands at the intersection of a growing interest in public service and desire to internationalize education in this country. Thus, mutual goals of development and peace can be jointly addressed by Peace Corps and American institutions of higher learning.

Specifically, the presidents agreed to work in support of the Hesburgh/Pell scholarship program, and to form a task force to facilitate this effort. Those in attendance also committed themselves to addressing the issue of enhancing minority participation in the Peace Corps, beginning by working for an increase in service-based grants and incentives.

CONFERENCE ATTENDEES

Dr. Alan Guskin, President
Antioch College

Dr. William H. Harris, President
Paine College

Dr. Donald Kennedy, President
Stanford University

Dr. Kenneth Shaw, President
University of Wisconsin

Dr. Herman Blake, President
Tougaloo College

Dr. David Warren, President
Ohio Wesleyan University

Dr. Howard Swearer, President
Brown University

Dr. Gloria Shatto, President
Berry College

Dr. David Wolf, President
Los Angeles Pierce College

Dr. William Dyal, President
St. John's College

Monsignor John J. Petillo, Chancellor
Seton Hall University

Mr. Michael Timpane, President
Teachers College, Columbia University

Janice E. Ryan, RSM, President
Trinity College of Vermont

The Reverend E. William Beauchamp
Executive Assistant to the President
University of Notre Dame

Dr. Charles J. Ping, President
Ohio University

Hon. Elodio Aragon
Minister of Education
Belize

Hon. Louise N'jia
Minister of Education
The Gambia

Katy Hansen
President
National Council of Returned Volunteers

Susan Stroud
Director
Campus Compact

Peace Corps

Loret Miller Ruppe
Director

David Scotton
Chief of Staff

John F. Burgess
Director, International Operations

Arlen Erdahl
Director, Volunteer Recruiting and Services

Donnan Runkel
Director of Public Affairs

Lewis Greenstein
Director, Educational Liaison

Margaret Pollack
Development Education

LETTERS FROM J. EDWARD FOX

March 26, 1987

Dear Mr. Chairman:

The Secretary has asked me to respond to your letter of March 3, requesting all of our cables and other documents pertaining to narcotics control in the Bahamas.

We are consulting with legal counsel on this request, and also attempting to determine the status, location and classification of the narcotics-related materials. Due to the sensitivity of our diplomatic relationships, the Department has traditionally been reluctant to turn over its files on any country or subject. We will provide you a further formal response in about two weeks.

In the meantime, hwoever, we believe that we can be responsive to your request for information, and in this regard are prepared to provide appropriate Department officials to brief interested Members, including in executive sessions and classified briefings, where needed. We would be pleased to provide such briefings either to you or to such staff personnel that you might identify.

With best wishes,

Sincerely,

J. Edward Fox
Assistant Secretary
Legislative and Intergovernmental Affairs

March 25, 1987

Dear Mr. Chairman:

During that part of today's Foreign Relations hearing devoted to the narcotics-related resolutions of disapproval, you asked that the participating agencies comment overnight on a staff paper containing allegations of corruption in the Bahamas. Given the nature of the issues raised, and the time constraint, each agency is answering independently.

The staff paper does not address the issues we raise in the International Narcotics Control Strategy Report (INCSR), is unbalanced, and is apparently based not on any review of either official reports or first-hand inspection. Rather, it seems to rely on criticisms levied by unnamed drug enforcement officials. As you heard during the hearings, top enforcement officials like Assistant Attorney General Trott certainly do not regard Bahamian law enforcement efforts as a joke.

We are also concerned that the staff paper ignores a number of recent developments which must be acknowledged in any balanced assessment of the Bahamas. While it concluded by stating the Bahamas does not fully cooperate, the staff paper fails to address the factors on which the Presidential certification was based.

The INCSR candidly acknowledges that the Bahamas remains "a primary drug pipeline" but we do not identify it as the "single most important transit point" nor, as recent hearings have amply demonstrated, do any U.S. agencies actively involved in the Bahamas agree that we obtain only a "surface veneer of cooperation"

The INCSR readily acknowledges that the GCOB has been slow to address the recommendations of the Commission of Inquiry, and expressed our concern that continuing corruption could undermine the cooperation we now enjoy.

Nonetheless, the INCSR also reports that in 1986 the Bahamas witnessed grass roots concern related to narcotics and narcotics corruption. The same kind of pressure that produced the citizens march in Nassau will be felt during the 1987 election campaigns. A vigilant citizenry remains our best weapon against corruption in any country.

On the enforcement side, important developments must be noted: passage in December 1986 of a new trafficking act that increases sentences and provides for confiscation of narcotics-derived assets; agreement to hot pursuit by U.S. Customs; enhancement of the OPBAT program; negotiation of a Mutual Legal Assistance Treaty (negotiations completed after the INCSR was published); start-up of a domestic drug prevention program; and, continued cooperation with Operation Hat Trick. These various efforts resulted in 1,309 arrests for narcotics violations, and seizure of more than 7,200 pounds of cocaine.

The new drug law, which we are encouraging the Bahamas to enforce rigorously, is intended to overcome the lenient sentences mentioned in the staff report, e.g., three months for loads of over 100 kilos. The INCSR made a similar finding about lenient sentencing practices. Under the new law, two-to-ten year sentences are imposed with fines of up to $200,000 and that is for first offenders. This corrective effort was not noted.

Justice will comment on extradition cases.

For the record, the Justice Department does not deny visas; that is done through a cooperative program of the Department of State. The alleged cynicism of law enforcement officials in Miami notwithstanding, the denial of visas is certainly more noteworthy than calling it a denial of "shopping privileges." In part, the effort responds to a specific directive in the drug law.

Six prosecutions resulted from the Royal Commission of Inquiry Report, three involving prominent persons. Senator Edward "Dud" Maynard, former Cabinet member George A. Smith, and Everett Bannister, a close confidante of the Prime Minister, were all prosecuted, but not convicted.

As indicated above, the efforts by the U.S. to assist the Bahamas with high technology detection is anything but a joke, in cost or in effect. On that point, it should be noted that an agreement has been made for a tethered aerostat at Georgetown, although a ground radar station location will probably be found further south.

You should consult the Department of Justice about any investigative operations in the Bahamas. The State Department is not responsible for termination of any proposed undercover operations by any federal law-enforcement agency.

The Department does not believe it appropriate to comment on the allegations made about the for-hire activities of private U.S. firms.

Finally, we have no direct comment on the staff recommendations for hearings,but we do want to thank you for ensuring that the Administration had an opportunity to be heard today on the narcotics resolutions.

With best wishes,

Sincerely,

J. Edward Fox
Assistant Secretary
Legislative and Intergovernmental Affairs

AMENDMENT

1. Certification Process

Sec. 481(h)(1) of the Foreign Assistance Act of 1961 is amended as follows: (only those subsections to be amended are shown)

(h)(1) Subject to paragraph (2), for every country designated in the report required under Section 481(e) as a major illicit drug producing country or major drug transit country --

(A) 50 percent of United States assistance allocated for such country in the next fiscal year, as notified to Congress in the report requiree under Section 653(a) of this Act shall be withheld from obligation and expenditure; and

Section (h)(2) is amended as follows:

(2) Subparagraph (1) shall not apply to a country which is a member of the North Atlantic Treaty Organization, or to a country as to which the President determines and certifies to Congress, at the time of the submission of the report required by subsection (e) -that --

(A) During the calendar year preceding the report, the country has cooperated effectively with the United States, or has taken adequate steps on its own, in preventing narcotic and psychotropic drugs and other controlled substances produced or processed, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States government personnel or their dependents, or from being transported, directly or indirectly, into the United States, and in preventing and punishing the laundering in that country of drug-related profits or drug-related monies; or

(B) The vital national interests (narcotics or non-narcotics related) of the United States require such certification. National interest certifications may be used where there is narcotics cooperation, but not sufficient to be considered full or effective cooperation, and, where there is no qualification on grounds of narcotics control, for such countries wherein there is another compelling national interest.

Section (h)(3) is amended as follows:

(3) (Add, after "pursuant to subsection (e)(4)), "including the measures which the country is currently taking and the measures which the country has planned for the next fiscal year, and, pursuant to subsection (f)(3), taking into account the climatic, geographic, political, economic and social factors that affect illicit drug production." (Add, a new subsection (3)(C): (C) In making the certifications required by paragraph (2), the President shall consider the extent to which certification is dependent upon measures to be taken in the next fiscal (or assessment year), and the probability of those measures being achieved, and, especially in those countries where there has been cooperation on some but not all of the major aspects of narcotics control cited in this chapter, the President should consider a national interest certification.

Section 481(i)(2) is amended to read:

(2)(a) The provisions of Sec. 481(h) shall apply only to the 15 (fifteen) major drug producing countries, as measured by comparative volume, whose production significantly affects the United States, and the fifteen most significant major transit countries, in terms of comparative volume, whose trafficking significantly affects the United States.

(2)(b) The term major illicit drug producing country means a country producing the equivalent of five metric tons or more of opium or opium derivative during a calendar year, or producing five hundred metric tons or more of coca or marijuana during a calendar year.

(2)(c) The term major illicit drug transit country means a country through which is transited the equivalent of five metric tons or more of opium or opium derivative during a calendar year, or five hundred metric tons or more of coca or marijuana during a calendar year; or through which significant sums of drug-related profits or monies are laundered with the knowledge and complicity of the government.

Section 481(e)(C) is amended by adding as follows:

(e)(7). Each such report shall list each major illicit drug producing or drug transit country (A) which, as a matter of government policy, encourages or facilitates the production or distribution of illegal drugs; (B) in which any senior official of the government of such country engages in, encourages, or facilitates the production or distribution of illegal drugs; (C) in which any member of any agency of the United States government engaged in drug enforcement activities since January 1, 19867, has suffered or been threatened with violence, inflicted by or with the complicity of any law enforcement or other officer of such country or any political subdivision thereof; or (D) which, having been requested to do so by the United States Government, fails to provide reasonable cooperation to lawful activities of United States drug enforcement agents, including the refusal of permission to such agents engaged in interdiction of aerial smuggling into the United States to pursue suspected aerial smugglers a reasonable distance into the airspace of the requested country.

Section 2013 of P.L. 99-570 is hereby repealed (it contains the essence of the above, and is considered duplicative of the INCSR process).

RESOLUTION

Whereas the Congress passed and President Reagan signed into law on October 27, 1986, the Anti-Drug Abuse Act of 1986, which established a new process for assessing and certifying the narcotics control performance of major drug producing and drug transit countries; and

Whereas the Congress, recognizing that the new process began when the Department of State was already into the tenth month of the calendar year on which International Narcotics Control Strategy Report assessments would be made; and

Whereas the Congress, acknowledging the lack of a legislative history guiding the implementation of this process, and commending the Department for the candor of its report, nevertheless finds that the Department of State, and other agencies concurring in this process, should have made more extensive use of the national interest certification, so as to ensure that a number of governments, including Panama, the Bahamas and Mexico, understand that the current level of cooperation on narcotics control is not considered full or effective on all elements of measurement and must improve.

Therefore be it resolved that the Committee on Foreign Relations, drawing upon the Department of State's annual report, shall issue its own report, setting forth the narcotics performance objectives it believes appropriate for 1987, and advising the Department to consider before making certifications in 1988.

SFRC REPORT

The Committee on Foreign Relations issues the following report, drawing upon the International Narcotics Control Strategy Report, and setting forth those narcotics control performance measurements against which the Committee expects decisions on 1988 certifications to be made.

1. Mexico. Recommendations stemming from airfleet evaluation should be implemented, with resulting efficiencies in eradication operations; demonstrable progress, preferably convictions, should be made on Camarena and Cortez; significant progress must be made on arrests (with a priority for apprehending Felix Gallardo), seizures of drugs and destruction of heroin labs; the MLAT should be signed and implementation begun.

2. Bolivia. The annexes to the February 25 framework agreement should be signed and under implementation, with satisfactory resolution of the sanction imposed under Sec. 611 of PL 99-83; the necessary new law should have been passed and voluntary eradication begun, with appropriate enforcement against seedlings and new cultivation; the interdiction program should be achieving significant reductions in the prices of coca leaf.

3. Pakistan. Agreement should be reached in 1987 between the US, UNFDAC, and GOP on extending the opium ban into tribal areas, especially Bajaur and Mohmand, so that eradication will occur there in 1988 as well as in the Dir; the GOP must continue to enforce the ban in the merged areas like Gadoon with no repeat of the 1986 production increase; effective use of the herbicidal eradication program is anticipated; improved enforcement is essential, as measured by arrests/seizures.

4. Peru. There must be demonstrable progress, measured by increases in crop eradication, toward implementing the national plan certified to Congress in 1987.

5. Bahamas. The GCOB must agree to: sign the MLAT and follow up with implementing legislation; expand OPBAT cooperation by the installation of temporary and aerostat radards; the opening of a joint US-Bahamian docking facility; increased Hat Trick cooperation such as joint RBDF-US Coast Guard and US Customs maritime operations; progress on the extradition of Nigel Bowe; and increased arrests, sentences, and seizures of traffickers and their assets. Equally important, State should be required to issue a finding that corruption does not impede US anti-narcotics efforts.

6. Jamaica. There must be progress on the new chemical eradication program, to the point that it has the potential of year to year reductions in net cultivation, i.e., overcoming the production increase of 1986.

7. Panama. Responses to U.S. requests for cooperation, submitted since the passage of Panama's December 30, 1986, narcotics control law, must demonstrate the will and ability to furnish evidence needed for U.S. prosecution of narcotics offenders utilizing Panama or to prosecute effectively such traffickers under Panamanian law. Panama must demonstrate good faith in concluding any additional bilateral agreements needed tgo carry out cooperation against international narcotics activities. Panama must continue to be effective in controlling narcotics production and transhipments of narcotics and precursor chemicals. State should assure that corruption is not undermining cooperation.

8. Laos. If no progress is made on POW/MIA and on a narcotics dialogue, Laos should not be considered in 1988 for a second national interest certification.

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF REALTORS

The NATIONAL ASSOCIATION OF REALTORS believes that the United States has a major stake in world housing progress. We know the strong desire of people in our own country for decent housing, home ownership, and the importance these have to our political and social stability and economic growth. We are persuaded that improvements in housing and home ownership, or other forms of secure tenure, are fundamental elements of political, economic, and social advancement in other countries. When people have a stake in their own country they will preserve it. When people own a piece of land or a home they will improve them. If governments will help remove the institutional constraints affecting the availability of housing - mainly land, public service and finance - individual initiative and private sector responses for the actual building will be called forth.

The NATIONAL ASSOCIATION OF REALTORS supports AID's Housing Guaranty Program because it fosters policies overseas we support in favor of private property rights and private initiative. Through this program, AID has a unique opportunity to play an instrumental role in many countries in the development of national housing policies. We wish to re-emphasize our commitment to this program especially as all forecasts warn of a deepening worldwide housing crisis. The Housing Guaranty Program, requiring only modest funding, represents an effective social and economic instrument of positive change in countries where the U.S. maintains critical security interests.

The United Nations has proclaimed 1987 as the International Year of Shelter, a year dedicated to seeking a worldwide recommitment to address the housing crisis. The U.S. has pledged to support the goals of the International Year. Congress has acted twice in the past two years to continue the Housing Guaranty Program. The Administration has now restored the AID Housing Guaranty Program in the FY 1988 budget request though at a substantially lower level. Frankly, we believe the U.S. should be more actively involved in promoting the goals embodied in the Housing Guaranty Program. We understand the current budget situation which may necessitate this reduction. However, we urge more priority and a sharper focus in the future on housing and urban problems and restoration of historical authorization levels for AID's Housing Guaranty Program.

The NATIONAL ASSOCIATION OF REALTORS has organized the International Shelter Coalition, private sector organizations actively working on worldwide housing issues. NAR recently organized the Second International Shelter Conference which was held in Vienna, Austria, September 10-12, 1986. This Conference was a private-sector effort in support of the International Year of Shelter for the Homeless. The objective of the conference was to produce an authoritative private-sector statement which would define the principles, policies and action steps necessary to address the problem of shelter and urban development in any given national situation.

The Conference brought together a coalition of senior, predominantly private sector, housing professionals from 32 countries. The ten national and five international private sector associations sponsoring the conference have members in more than half the countries of the world and on every continent. These were:

NATIONAL ASSOCIATION OF REALTORS
International Union of Building Societies and Savings Associations (IUBSSA)
International Real Estate Federation (FIABCI)
National Federation of Real Estate Transactions Associations (Japan)
United States League of Savings Institutions
African Union of Building Societies
Building Societies Association (UK)
Caribbean Association of Building Societies and Financial Institutions
Canadian Real Estate Association (CREA)
Cooperative Housing Foundation (USA)
FIABCI-Netherlands
Interamerican Housing Union
Mortgage Bankers Association (USA)
National Association of Homebuilders (USA)
National Council of Savings Institutions (USA)

Participating public organizations included: the United States Agency for International Develpment; the U.S. Department of Housing and Urban Development; the United Nations Centre for Human Settlements; the World Bank; the Development Assistance Council of the Organization of Economic Cooperation and Development; the Canada Mortgage and Housing Corporation; and Ministers and high officers of several housing ministries and agencies in developing countries.

The Conference produced the Vienna Recommendations on Shelter and Urban Development which we believe to be one of the most succinct and comprehensive documents in the housing field with respect to policy formulation. We believe the Vienna Recommendations will test well when applied in the crucible of experience. These recommendations were subject to intense analysis and debate prior to their presentation in the Conference Plenary by a group of housing experts drawn primarily from the private sector in the developing world. The NATIONAL ASSOCIATION OF REALTORS' Board of Directors, on behalf of its 750,000 members, formally approved the recommendations in November 1986. The Canadian Real Estate Association, the Building Societies Association of the U.K., and the International Real Estate Federation have also adopted the Vienna Recommendations. They are in the process of being acted upon by the other sponsoring organizations as well. They are also being widely circulated for formal adoption by other public and private-sector shelter organizations throughout the world. The Vienna Recommendations are offered as a contribution by the sponsoring organizations and conference participants to the global policy dialogue on housing. It is hoped that they will serve as a sound general basis for an effective partnership between the public and private sectors in specific national situations where housing is a serious problem and where a sensible framework for action is desired.

It is fitting that the Vienna Recommendations should be offered on the tenth anniversary of the Vancouver Declariton on Human Settlements and the International Year of Shelter for the Homeless. The experience of a decade is now behind us and its lessons have been distilled. New directions based on today's changed reality are now in order.

The International Year of Shelter is designed to mobilize all participants in the shelter process. In short, it seeks to forge effective public/private partnerships in which governments would "enable" and support the activities of those actually providing shelter and infrastructure: the people themselves and a wide variety of formal and informal private-sector operators. The Vienna Recommendations lay out the policy framework required to achieve this end. Key principles include homeownership and security of tenure; a sound economic framework to stimulate housing investment crucial for economic growth; an adequate legal system to hold and transfer property; a banking system operating in a sensible regulatory environment, providing adequate returns and with sensible lending policies; minimization of subsidies; government provision of trunk infrastructure and of basic public services.

AID, through the Housing Guaranty Program, is promoting sensible policies which coincide with the Vienna Recommendations. We strongly recommend that the Congress continue the program at an adequate level in FY 1988 and that AID be directed to give more priority to housing and urban issues in the future. We urge that the lower level of guaranty authority requested for FY 1988 not establish a new, lower benchmark for future authorizations. We attach six copies of the Proceedings of the Second International Shelter Conference which include the full text of the Vienna Recommendations. This document contains facts and closely reasoned arguments why the U.S. must play a leading role in housing matters throughout the world. The NATIONAL ASSOCIATION OF REALTORS will continue to play a leading part and encourage other important private associations and groups to help solve the problem of housing low-income families everywhere.

PRESIDENTIAL STATEMENT ON ENDING HUNGER IN AFRICA

Today, the President is announcing an initiative to help end hunger in sub-Saharan Africa by establishing a common long-term goal for all U.S. economic programs and policies in sub-Saharan Africa: to end hunger in the region through economic growth, policy reform, and private sector development. The United States will also seek to promote donor coordination on comprehensive structural adjustment as well as on assistance programs and will continue its efforts to encourage the constructive involvement of the U.S. private sector in promoting African economic growth.

Last May, at the UN General Assembly Special Session on the Critical Economic Situation in Africa, African leaders committed themselves to economic policy reforms designed to unleash the energies of their productive sectors, and requested donors to review the quality of their assistance programs in order to further this goal. The United States intends to respond to the Africans' request. Their commitment to recovery and reform deserves our support. While Africa has recovered from the 1984-85 famine, its economic situation remains precarious and the threat of famine and the reality of poverty continue to cloud Africa's future.

Last September, the President established a White House Task Force to lead an interdepartmental review of U.S. economic policies and programs for sub-Saharan Africa. The Task Force, jointly chaired by the National Security Council staff and the White House Office of Policy Development, included the Departments of State, Treasury, Agriculture, Commerce, and Defense; the Office of Management and Budget, the Agency for International Development, the Central Intelligence Agency, the U.S. Trade Representative, the U.S. Information Agency, the Peace Corps, and the Overseas Private Investment Corporation. The Task Force has completed its work and has recommended a program of action:

--Donor countries should negotiate, through the existing IMF/World Bank coordination process, framework agreements with each sub-Saharan African country to establish long-term structural adjustment and reform programs.

--A separate budget account should be created for U.S. bilateral assistance to Africa in order to focus better on rewarding economic performance and increasing the flexibility of U.S. assistance programs for incentive economic reforms and private sector development.

--New efforts should be made to address Africa's heavy debt burden, such as through strengthening multilateral arrangements.

--U.S. food assistance programs should stress production incentives for recipient governments' communities, and individuals to reinforce economic reform and productivity.

--Continued and improved African access to world markets should be promoted to reward good performance and to enable African countries to earn their way toward economic growth.

--The U.S. private sector should be mobilized to complement African and donor efforts through expanded private, voluntary, and corporate involvement of a humanitarian and business nature.

--A high-level interagency coordinating committee will be created to ensure that all U.S. activities, programs, and policies for sub-Saharan Africa are fully consistent with these policy goals.

The preliminary work of this Task Force is reflected in proposals already presented in the President's FY 1988 budget submission, as noted in the legislative message he submitted to accompany the State of the Union address. In an era of scarce aid resources, we have no responsible alternative but to maximize the effectiveness and efficiency of our assistance programs and to encourage recipient countries' own efforts to promote productivity and growth. To do otherwise would be to risk perpetuating dependency. The African countries have made a commitment to economic reform and structural adjustment. The world community committed itself to help Africa achieve these objectives. The President intends to work closely with the 100th Congress in a bipartisan spirit to pursue a goal which he knows is shared by all Americans.

PREPARED STATEMENT OF NAYYAR ZAIDI

MR CHAIRMAN, DISTINGUSIHED SENATORS: I AM GRATEFUL FOR THIS OPPORTUNITY TO EXPRESS MY VIEWS ON THE PROS AND CONS OF CONTINUING U.S. ASSISTANCE FOR PAKISTAN.

TWO ISSUES SEEM TO BE A FACTOR IN THE DECISION THAT MAY DETERMINE THE COURSE OF THE HISTORY IN THE FREE WORLD. ONE CONCERNS THE NON-PROLIFERATION OBJECTIVES OF THIS COUNTRY AND THE OTHER IS ABOUT THE HUMAN RIGHTS.

LET ME FIRST DISCUSS THE NUCLEAR ISSUE. SINCE SO MANY HONORABLE MEN ARE

INVOLVED ON EACH SIDE OF THIS ISSUE, IT IS FAIR TO BRIEFLY EXAMINE THE FACTS AND THE MERITS OF THE SUGGESTED SOLUTIONS.

NUCLEAR NON-PROLIFERATION IS NOT A MATTER OF CAPABILITY BUT A MATTER OF INTENTION. THIS PRINCIPLE IS APPLIED TO JAPAN, WEST GERMANY, SWITZERLAND, SWEDEN, TAIWAN AND BELGIUM WHICH SATISFY 25 PERCENT TO 60 PERCENT OF THEIR ENERGY NEEDS THROUGH NUCLEAR POWER. INDIA EXPLODED A NUCLEAR DEVICE IN 1974 BY ILLEGALLY DIVERTING SAFEGUARDED MATERIALS. BUT WE DO ACCEPT INDIA'S WORD THAT IT HAS NO INTENTION OF PRODUCING NUCLEAR WEAPONS.

PAKISTAN CONSUMED 25 BILLION KWH OF ELECTRICITY IN 1986. ITS ECONOMIC GROWTH HAS BEEN IMPRESSIVE AMONG ITS SOUTH ASIAN PEERS. CONSEQUENTLY ITS ENERGY NEEDS HAVE GROWN 12 PERCENT ANNUALLY DURING 1979-85. AND YET in 1985, ITS PER CAPITA ENERGY CONSUMPTION WAS 1/25th THAT OF JAPAN.

OBVIOUSLY, PAKISTAN HAS A LONG WAY TO GO. THERE IS VERY LITTLE COAL AND OIL. HYDRO POWER IS LIMITED AND DEPENDENT ON EXTERNAL FACTORS. LIMITED GAS RESERVES MUST BE USED JUDICIOUSLY BECAUSE OF THEIR USEFULLNESS IN FERTILIZER PRODUCTION. PAKISTAN BELIEVES THAT NUCLEAR POWER IS THE ONLY RELIABLE SOURCE OF ENERGY IN THE FUTURE. IN 1986, 258,671 MW NUCLEAR CAPACITY EXISTED IN THE WORLD AND BY 1992 IT WILL GO UP TO 400,000 MW AND 25 PERCENT OF WORLD ENERGY NEEDS WILL BE MET BY THIS SOURCE COMPARED TO 16 PERCENT IN 1985.SO, PAKISTAN IS NOT AN ISOLATED CASE OF PURSUING THAT ROAD TO ENERY SELF-SUFFICIENCY.

AFTER CANADA AND FRANCE BROKE THEIR CONTRACTUAL PLEDGES TO SUPPLY FUEL FOR EXISTING PLANTS AND SELL NEW REPROCESSING PLANTS, PAKISTAN HAD NO CHOICE BUT TO BEGIN ITS OWN URANIUM ENRICHMENT PROCESS TO ENSURE THE ECONOMIC WELL BEING OF ITS FUTURE GENERATIONS.

SUSPICION ABOUT PAKISTAN'S INTENTIONS HAS LED TO VARIOUS DEMANDS THAT WILL FORCE PAKISTAN TO OPEN ITS NUCLEAR FACILITIES TO PEOPLE ON A FISHING EXPEDITION.

LET ME REFRESH YOUR MEMORY WITH AN INTERESTING EPISODE. IN 1972, A CONGRESSIONAL DELEGATION VISITED ISRAEL. DELEGATION LEADER LATE SENATOR ABRAHAM RIBICOFF, WHO WAS OF JEWISH FAITH AND A SUPPORTER OF ISRAEL, REQUESTED THAT THE DELEGATION BE ALLOWED TO VISIT A NUCLEAR PLANT. ISRAELIS REFUSED PERMISSION ON TWO GROUNDS: THE PLANT WASN'T BUILT WITH AMERICAN ASSISTANCE AND THE VISIT WOULD HAVE COMPROMISED ISREAL'S SOVEREIGNTY.THE ARGUMENT WAS ACCEPTED IN GOOD GRACE.

YOU SEE! INDIVIDUALS HAVE A RIGHT TO PRIVACY. COUNTRIES HAVE A RIGHT TO SOVEREIGNTY. IF WE WANT A DEMOCRATIC SOCIETY, WE MUST RESPECT AN INDIVIDUAL'S

RIGHT TO PRIVACY. IF WE WANT A DEMOCRATIC INTERNATIONAL ORDER, WE MUST RESPECT A COUNTRY'S RIGHT TO SOVEREIGHNTY.

HOWEVER, AS A MEMBER OF THE CIVILIAZED INTERNATIONAL SOCIETY, PAKISTAN DOES APPRECIATE THE INTERNATIONAL CONCERNS ABOUT THE DIRECTION OF ITS NUCLEAR PROGRAM. UNLIKE OUR LARGEST RECEPIENT OF AID, ISRAEL, PAKISTAN HAS NOT ASKED THE DISTINGUISHED MEMBERS OF THIS CONGRESS TO SIMPLY "TAKE A WALK." PAKISTAN HAS MADE SOUND AND REASONABLE PROPOSALS TO SOLVE THESE CONCERNS. THESE PROPOSALS ARE:

A) INDIA AND PAKISTAN JOINTLY SIGN THE NON-PROLIFERATION TREATY, OR

B) INDIA AND PAKISTAN JOINTLY DECLARE SOUTH ASIA A NUCLEAR - WEAPONS- FREE ZONE, OR

C) INDIA AND PAKISTAN AGREE TO MUTUAL INSPECTION OF EACH OTHER'S NUCLEAR FACILITIES, OR THAT THERE BE A

D) SIMULTANEOUS ACCEPTANCE OF COMPLETE IAEA (INTERNATIONAL ATOMIC ENERGY AGENCY) SAFEGUARDS FOR ALL NUCLEAR INSTALLATIONS, OR

E) THERE SHOULD BE A BINDING DECLARATION BY THE STATES OF SOUTH ASIA RENOUNCING THE ACQUISITION OR MANUFACTURE OF NUCLEAR WEAPONS.

(LETTER TO THE WASHINGTON POST, MARCH 13, 1987, BY PAKISTAN'S AMBADDAOR H.E. JAMSHEED K.A. MARKER.)

AS CAN BE SEEN, PAKISTAN HAS SUGGESTED A VARIETY OF WAYS WITHIN THE BILATERAL OR REGIONAL FRAMEWORK TO SOLVE THIS PROBLEM. INDIA HAS NOT RESPONDED AND THIS CONGRESS HAS NOT DONE ANYTHING TO MAKE INDIA MORE RESPONSIVE TO THESE VERY REASONABLE PROPOSALS OR MAKE SOME OTHER EQUITABLE COUNTER-OFFER.

LET'S SUPPOSE PAKISTAN WILL ACCEPT OUR DEMANDS AND UNILATERALLY SIGN THE NON-PROLIFERATION TREATY. DOES THAT GUARANTEE PROTECTION AGAINST FUTURE AGGRESSION AGAINST ITS NUCLEAR FACILITIES?

LET US LOOK AT A RECENT PRECEDENT. IRAQ SIGNED THE NPT AND ALL ITS PLANTS WERE COVERED BY INTERNATIONAL SAFEGUARDS. ITS OSIRAQ PLANT HAD FRENCH TECHNICIANS AND IRAQ HAD AGREED TO RETAIN THEM UNTIL 1989. BUT ISRAEL DECIDED TO DESTROY THE PLANT BECAUSE ACCORDING TO ITS CLAIMS IT COULD HAVE PRODUCED WEAPONS GRADE NUCLEAR MATERIAL LATER ON. FROM THE STATE DEPARTMENT WE HEARD: "UNITED STATES REGRETS THE INCIDENT--THIS IS A RECORDING." OUTSIDE THE ESTABLISHMENT

THERE WAS COMPLETE SUPPORT AND EVEN APPLAUSE FOR AN ACTION THAT WAS BASED ON A SERIES OF "WHAT IFS".

THE CURRENT MORAL INDIGNATION ABOUT PAKISTAN'S NUCLEAR PROGRAM WOULD HAVE BEEN JUSTIFIED HAD IT BEEN BASED ON FACTUAL AND VERIFIABLE EVIDENCE. BUT IT IS BASED ON A MEDIA HYPE CREATED BY CONTRIVED OR THIRD-HAND INFORMATION.

ACCORDING TO A NOVEMBER 4 1986 ARTICLE IN THE WASHINGTON POST 1) PAKISTAN DETONATED A HIGH EXPLOSIVE DEVICE BETWEEN SEPT. 18 AND SEPT. 21. THE SOURCE WAS THE DEFENCE INTELLIGENCE AGENCY. LATER IT TURNED OUT THAT IT WAS AN EARTHQUAKE. THE CHARGE WAS SO ABSURD THAT EVEN INDIAN EXPERTS CAME TO PAKISTAN'S RESCUE TO VERIFY THAT THE TREMORS WERE CREATED BY AN EARTHQUAKE WHICH WAS ALSO MONITORED BY THEM. 2) THE SAME STORY ALSO CLAIMED THAT PAKISTAN'S ATOMIC BOMB WAS ONLY "TWO SCREWDRIVER TURNS AWAY." IT IS INTERESTING THAT ON ONE HAND THE DIA CANNOT EVEN PINPOINT THE PRECISE DAY OF A "HIGH EXPLOSIVE DEVICE" AND ON THE OTHER HAND IT CAN PRECISEL TELL YOU HOW MANY SCREWDRIVER TURNS ARE LEFT. ANOTHER CONTRADICTION IS THAT IF DETONATION STORY IS CORRECT THEN THE BOMB IS COMPLETE.

THE FACT IS THAT THE TERM "TWO SCREWDRIVER TURNS AWAY" WAS USED BY SOME EXPERTS DURING A SEMINAR IN ISLAMABAD AND LATER BY A PROFESSOR IN AN INTERVIEW TO A PAKISTANI WEEKLY.

THE MOST RECENT EXAMPLE OF SUCH "EVIDENCE" IS THE ALLEGED INTERVIEW BY AN INDIAN JOURNALIST WHO CLAIMS THAT DR ABDUL QADEER KHAN TOLD HIM THAT PAKISTAN HAD THE BOMB. THIS HOAX OF AN INTERVIEW HAS GAINED INSTANT CREDIBILITY WITH MANY IN THE UNITED STATES.

BY CALLING IT A HOAX, I AM NOT REFERRING TO THE CONTRADICTIONS ISSUED BY THE GOVERNMENT OF PAKISTAN OR DR KHAN HIMSELF. I AM REFERRING TO WRITTEN AND VERIFIABLE EVIDENCE(AND I REQUEST THAT IT BE MADE PART OF THE RECORD).

FIRST, THIS JOURNALIST HAS GIVEN DIFFERENT VERSIONS TO THE LONDON OBSERVER AND TO THE NEW YORK BASED INDIAN WEEKLY, INDIA ABROAD. IN THE MARCH 1, 1987, LONDON OBSERVER HE SAYS(QUOTING DR KHAN):

"HE POURED SCORN ON INDIA'S CLAIM THAT IT HAD CARRIED OUT ONLY A PEACEFUL TEST IN 1974. THE WORD PEACEFUL ASSOCIATED WITH THE NUCLEAR PROGRAM IS HUMBUG. THERE IS NO 'PEACEFUL' BOMB.

"ONCE YOU KNOW HOW TO RUN REACTORS,HOW TO PRODUCE PLUTONIUM AND TO REPORCESS IT--ALL OF WHICH PAKISTAN HAS MASTERED AS WELL--IT BECOMES A RATHER EASY TASK TO PRODUCE NUCLEAR WEAPONS."

IN THE MARCH 6, 1987, INDIA ABROAD WE HAVE THIS VERSION: [redacted]

" MAKING NO PRETENSE THAT PAKISTAN'S NUCLEAR PROGRAM WAS FOR PEACEFUL PURPOSES, KHAN SAID..." AND THEN THE SAME PARAGRAPH FOLLOWS.

HOWEVER, BOTH VERSIONS WERE TAKEN VERBATIM FROM AN ARTICLE IN DAWAN, KARACHI, (AUGUST 1, 1986) BY DR. KHAN ON A DECADE OF PAKISTAN'S NUCLEAR PROGRAM. THE ABOVE STATEMENTS WERE MADE IN A TOTALLY DIFFERENT CONTEXT AS FOLLOWS:

> WHILE THESE NATIONS WERE, ON THE ONE HAND, BUSY MANUFACTURING AND STOCKPILING NUCLEAR BOMBS. SIMULTANEOUS ATTEMPTS WERE UNDERWAY TO USE THE SAME IMMENSE POWER OF THE ATOM TO PRODUCE POWER. THE USA, THE USSR, CANADA AND THE UK SUCCEEDED IN MAKING NUCLEAR REACTORS FOR THIS PURPOSE AND THERE WAS A WIDELY PUBLICZED CAMPAIGN FOR ATOMS FOR PEACE. HOWEVER, KNOWLEDGEABLE AND SANE PEOPLE NEVER OVERLOOKED THE FACT THAT THERE WAS A GRAVE DANGER OF NUCLEAR WEAPONS PROLIFERATION WITH THE SPREAD OF PEACEFUL USES OF NUCLEAR ENERGY. AFTER ALL, THERE IS ONLY A WEAK, TRANSPARENT SCREEN BETWEEN THE TWO. ONCE YOU KNOW HOW TO MAKE REACTORS, HOW TO PRODUCE PLUTIONIUM AND TO REPROCESS IT, IT BECOMES A RATHER EASY TASK TO PRODUCE NUCLEAR WEAPONS.

AS CAN BE SEEN THE REFERENCE TO PLUTONIUM PRODUCTION AND REPROCESSING WAS MADE IN ANOTHER CONTEXT. DR KHAN COULDN'T HAVE MADE THE BLUNDER OF CLAIMING THAT PAKISTAN HAS "MASTERED" THESE TECHNIQUES BECAUSE PAKISTAN USES THE URANIUM ENRICHMENT PROCESS AND THE PLUTONIUM FACTOR HAS NEVER BEEN MENTIONED EVEN IN MEDIA SPECULATION.

THE ENTIRE INTERVIEW IS BASED ON STATEMENTS MADE BY DR KHAN IN THIS ARTICLE AND USED WORD-BY-WORD IN AN ALTERED CONTEXT. A JOURNALIST WHO TALKS TO SOMEONE FOR AN HOUR DOESN'T HAVE TO USE STOLEN MATERIAL.

THE INTERVIEW COULDN'T HAVE BEEN "ARRANGED" BECAUSE THE PAKISTANI JOURNALIST WHO TOOK HIM THERE IS NOT RESPONSIBLE FOR ARRANGING SUCH INTERVIEWS WHICH ARE SOLELY HANDLED BY THE DIRECTORATE GENERAL OF EXTERNAL PUBLICITY.

THIS JOURNALIST HAS SUPPOSEDLY CONFIRMED THE INTERVIEW AND IF SO, THE PRECEDING EVIDENCE PRESENTED BY ME AND DETAILED IN THE ATTACHED APPENDIX CASTS SERIOUS DOUBTS ON THIS PAKISTANI JOURNALIST'S INTEGRITY.

ALSO,AS AMERICANS BEFORE WE BELIEVE ANYBODY WE ASK OURSELVES "WHERE IS HE COMING FROM?" WELL LET ME TELL YOU WHERE THESE TWO CAME FROM. ONE IS FROM INDIA WHICH HAS A HISTORY OF HOSTILITY TOWARDS PAKISTAN AND WHICH IS DESPERATELY TRYING TO PROVE THAT PAKISTAN HAS A BOMB SO AS TO BE ABLE TO STOP ASSISTANCE TO PAKISTAN. THE PAKISTANI JOURNALIST HAS EXCELLENT SOVIET CONNECTIONS AND THE SOVIETS ALSO HAVE AN INTEREST IN DISRUPTING US-PAKISTAN RELATIONSHIP. THE PAKISTANI JOURNALIST INVOLVED WAS ONCE FLOWN TO KABUL FOR

AN EXCLUSIVE AUDIENCE WITH BABRAK KARMAL. WE ALL KNOW THAT SOVIETS ARE NOT AS INDISCRIMINATE IN SHOWERING THEIR AFFECTION AS WE AMERICANS ARE.

THIS JOURNALIST'S ELDER BROTHER WAS IN WASHINGTON AND WORKED FOR A FORMER SENATOR WHO HAS EXCELLENT SOVIET CONNECTIONS AND WHO,AT ONE TIME, WAS ALSO A LOBBIEST FOR LIBYA AND THEY GENTLEMAN(THE JOURNALIST'S BROTHER) SO NOT ONLY THAT THE INTERVIEW WAS FORGED BUT IT WAS DESIGNED AND TIMED FOR THE SPECIFIC PURPOSE OF STARTING THIS CONTROVERSY AT THE TIME OF AID-PACKAGE HEARINGS.

THE ISSUE OF US-PAKISTAN RELATIONS IS TOO IMPORTANT TO BE DECIDED ON THE BASIS OF SUCH FLIMSY AND DOUBTFUL EVIDENCE --IF WE CAN CALL IT EVIDENCE.

WE HAVE THREE OPTIONS.

A) WE CUTOFF OR SUSPEND THE ASSISTANCE BECAUSE WE ARE CONVINCED THAT PAKISTAN HAS THE BOMB. WILL THAT HELP NON-PROLIFERATION? AT LEAST PAKISTAN WILL HAVE NO INCENTIVE TO WAIT AND IT WILL HAVE EVERY INCENTIVE TO TRY TO GO NUCLEAR.

THERE WILL BE OTHER REPURCUSSIONS. PAKISTAN HAS THREE MILLION AFGHAN REFUGEES AND IT HAS SPENT ONE BILLION DOLLARS OF ITS OWN MONEY TO CARE FOR THEM. MOST OF THEM ARE ARMED. THEY HAVE NO PLACE TO GO. IF THEY CAN FIGHT THE SOVIET ARMY WHY CAN'T THEY FIGHT THE PAKISTAN ARMY? THERE ARE ALSO SOVIET TROJAN HORSES AMONG THESE REFUGEES WHO WILL BRING ARMS AND HELP THEM TO CONTINUE THE FIGHT. BORDERING PAKISTAN ARE CHINA,INDIA, IRAN AND SOVIET UNION(TOUCHING PAKISTAN FROM WAKHAN CORRIDOR) AND AT LEAST INDIA AND SOVIET UNION COULD USE THE CIVIL STRIFE AS AN EXCUSE TO INTERVENE.

WE HAVE THE MAKINGS OF A LEBANON. DOES THIS COMMITTEE THINK THAT THE PRESENT CONDITIONS IN LEBANON ARE CONDUCIVE TO PEACE AND STABILITY IN THE MIDDLE EAST? IF NOT, THEN HOW WOULD SUCH CONDITIONS IN PAKISTAN : . HELP PEACE AND STABILITY IN SOUTH ASIA?

B) THE SECOND OPTION IS TO ATTACH CONDITIONS THAT WILL BE PERCEIVED AS AN INSULT TO PAKISTAN'S NATIONAL PRIDE. THESE MAY INCLUDE AN YEARLY RENEWAL OF WAIVER OF THE SYMINGTON AMENDMENT OR SOME OTHER RIDER CLAUSES.

BY DOING SO, THIS COMMITTEE OR THE UNITED STATES GOVERNMENT WILL BE DEFEATIN ANOTHER ONE OF ITS IMPORTANT OBJECTIVES --ENCOURAGING PAKISTAN'S REMARKABLE ADVANCEMENT TOWARDS A FULLY DEMOCRATIC SYSTEM.

UNITED STATES HAS HAD A POOR RECORD OF HONORING ITS COMMITMENTS TO PAKISTAN AS FAR AS PAKISTANI PERCEPTIONS ARE CONCERNED. PAKISTANIS ALSO FEEL

THAT IN SPITE OF THEIR CONTINUED AND DEDICATED SUPPORT, UNITED STATES HAS GIVEN PREFERENTIAL TREATMENT TO INDIA. THESE FEELINGS ARE NOT TOTALLY WITHOUT FOUNDATION. HERE ARE SOME EXAMPLES:

i) ON JAN. 27, 1956, THE SOVIET PREMIER DECLARED(REPUBLIC DAY RECEPTION IN MOSCOW) THAT INDIA WAS "USSR'S LOVE ";UNITED STATES MAILED A CHECK FOR $360 MILLION(AND PLEASE REMEMBER THIS IS IN 1956 DOLLARS); INDIA FULFILLED ITS "NON-ALIGNMENT" COMMITMENT BY ITS SILENCE ON SOVIET INVASION OF HUNGARY.

ii) THE SAME YEAR, SECRETARY OF STATE JOHN FOSTER DULLES FLEW TO NEW DELHI TO ASSURE PRIME MINISTER PANDIT NEHRU THAT IF THE MOUSE ROARED I.E. IF PAKISTAN ATTACKED, UNITED STATES WILL COME TO INDIA'S RESUCUE. PROTECTION PLEDGES TO PAKISTAN HAVE BEEN CONDITIONAL TO AGGRESSION FROM COMMUNIST COUNTRIES.

iii) INDIA EXPLODED A NUCLEAR DEVICE ON MAY 18, 1974. U.S. AMBASSDOR TO INDIA, AND NOW OUR DISTINGUISHED SENATOR FROM NEY YORK, DANIEL PATRICK MOYNIHAN INSISTED THAT THE SLAP ON THE FACE OF/THE NON-PROLIFERATION ADVOCATES WAS WORTH AT LEAST $75 MILLION AND A LONG TERM COMMITMENT OF AID TO INDIA. IT WAS DONE.

CONTRASTED TO THIS A MERE SUSPICION OF THE POSSESSION OF A BOMB SOMEWHERE AT A LATER DATE, PROMPTED STATE DEPARTMENT TO CUTOFF AID TO PAKISTAN IN 1979.

iv) INDIA RECEIVED $10 BILLION IN AID AND GRANTS BETWEEN 1950-71 AND THE NEW YORK TIMES CALLS IT THE LARGEST RECEPIENT OF U.S. AID DURING THAT PERIOD. DURING THE LAST FOUR YEARS OR SO WE HAVE GIVE INDIA AROUND $1 BILLION IN ECONOMIC AID. THE OVER ALL ASSISTANCE TO INDIA--INCLUDING THE RELEASE OF COUNTERPART FUNDS IN INDIA--EXCEEDS $15 BILLION. THE SOVIETS HAVE GIVEN A MATCHING AMOUNT IN MILITARY ASSISTANCE.

v) PAKISTAN GAVE U.S. MILITARY BASES AT A TIME INDIA WAS HANDS IN HANDS WITH COLONEL JAMAL ABDUL NASSIR OF EGYPT AND MARSHALL TITO OF YUGOSLAVIA TRYING TO PREVENT THIRD WORLD COUNTRIES FROM JOING THE U.S. BACKED DEFENSE ALLIANCES.

PAKISTAN CONDEMNED ALL SOVIET AGGRESSIONS. INDIA REMAINED SILENT. PAKISTAN REFUSES TO RECIGNIZE THE KAMPUCHIAN REGIME(ALONG WITH 95 PERCENT OF THE WORLD) INDIA HELD A CONFERENCE IN NEW DELHI TO WORK OUT A STRATEGY TO WIDEN RECOGNITION OF THAT REGIME.

PAKISTAN HAS TAKEN A PRINCIPLED STAND ON AFGHANISTAN INDIA ASKS ONLY FOR WITHDRAWAL OF ALL FOREIGN FORCES WHICH SOVIETS INTERPRET AS A CALL FOR END TO MUJAHIDEEN INTERFERENCE.

IN THE CONTEXT OF THIS HISTORIC PATTERN OF DISCRIMINATORY TREATMENT, ANY REDUCTION OF AID OR ATTACHMENT OF RIDER CLAUSES,ETC. WILL BE A BAD SIGNAL. THE PRESENT REGIME HAS HAD DIFFICULTY IN PERSUADING SKEPTICAL PEOPLE THAT UNITED STATES COULD BE RELIED UPON AS AN ALLY. THE NEXT ELECTIONS ARE TWO YEARS AWAY, AND MAKING OF A NUCLEAR BOMB AND ANTI-AMERICANISM COULD BECOME CAMPAIGN ISSUES. THESE EMOTIONAL ISSUES WILL HURT AMERICAN INTERESTS BUT ALSO CHEAT THE PEOPLE OF PAKISTAN IN A WAY. SELF-SERVING POLITICIANS WILL CAMPAIGN ON ABSTRACT ISSUES OF FOREIGN POLICY INSTEAD OF TANGIBLE ECONOMIC ISSUES WHICH WILL HAVE AN IMPACT ON THE LIVES OF THE PEOPLE IN 1990s.

C) THERE IS THIRD AND MORE RATIONAL OPTIONS--THE AID TO PAKISTAN SHOULD CONTINUE AS PROPOSED BY THE STATE DEPARTMENT IF IT IS FOUND THAT PAKISTAN HAS MADE SIGNIFICANT PROGRESS IN THE AREAS THAT ARE OF CONCERN TO ALL AMERICANS. THESE MAY INCLUDE THE FOLLOWING:

a) WE SHOULD EVALUATE IF THE ASSISTANCE GIVEN DURING THE PAST SIX YEARS HAS SIGNFICANTLY CONTRIBUTED TO IMPROVING THE SITUATION OF AFGHAN RESISTANCE AGAINST THE SOVIET-AFGHAN FORCES.

b) WE SHOULD EVALUATE IF THE POLITICAL PROCESS IN PAKISTAN IS MORE OPEN AND DEMOCRATIC NOW COMPARED TO THE SITUATION THAT EXISTED AT THE TIME OF THE APPROVAL OF THE 1981 AID PACKAGE.

c) WE SHOULD EVALUATE THAT IF THE SO CALLED "HUMAN RIGHTS" CONDITIONS ARE BETTER NOW THAN THESE WERE IN 1981. FOR THIS PURPOSE RELIABLE AND TRADITIONAL SOURCES MAY BE USED INSTEAD OF REPORTS BY PARTISAN ELEMENTS.

THIS WILL ONLY LEAVE THE NUCLEAR ISSUE AND THAT TOO CAN BE RESOLVED IF UNITED STATES WOULD USE ITS CLOUT WITH INDIA TO SOLVE IT ON A REGIONAL BASIS. INDIA WANTS CONTINUED ECONOMIC ASSISTANCE AND AMERICAN TECHNOLOGY AND IT IS ABOUT TIME WE MADE SOME DEMANDS ON INDIA IN THE INTEREST OF NON-PROLIFERATION AND WORLD PEACE.

IN MY OPINION, PAKISTAN HAS MADE CONSIDERABLE PROGRESS IN CATEGORIES a,b, and c AS LISTED ABOVE. PAKISTAN'S CURRENT SITUATION SHOULD BE MEASURED IN TERMS OF PROGRESS MADE SINCE 1981 AND NOT IN TERMS OF SOME "IDEALS" THAT SOME PEOPLE WANT ATTAINED INSTANTLY.

THE UNITED STATES ATTACHED SOME CONDITIONS IN 1981 FOR ITS ASSISTANCE AND PAKISTAN HAS HONORED ALL ITS COMMITMENTS INCLUDING THAT OF NOT EXPLODING A NUCLEAR DEVICE.

NOW, WHY DO WE WANT TO PUNISH THIS COUNTRY? WE SEEMED TO BE TRYING A SOVEREIGN COUNTRY ON THE BASIS OF UNFOUNDED MEDIA REPORTS.

TO SUM UP, I FEEL THAT A CUTOFF OF AID WILL NEITHER ACHIEVE THE NON-PROLIFERATION OBJECTIVES NOR WILL IT STRENGTHEN THE DEMOCRATIC PROCESS IN PAKISTAN. IT COULD HURT BOTH OBJECTIVES AND ALSO END UP DELIVERING TO THE SOVIETS ON A SILVER PLATTER WHAT THEY HAVE NOT BEEN ABLE TO ACHIEVE ON THE BATTLEFIELD.

NO ONE HAS STOOD UP TO THE SOVIET TANKS. AND NO ONE EVER WILL IF WE ABANDON THE COURAGEOUS AFGHAN PEOPLE TO SATISFY OUR MISGUIDED URGE FOR REVENGE AGAINST PAKISTAN FOR A CRIME WHICH CANNOT BE PROVEN BEYOND A REASONABLE DOUBT.

THERE ARE BOMB BLASTS AND KILLINGS IN PAKISTAN EVERYDAY BY AFGHAN AGENTS. THERE ATTACKS BY AFGHAN AIRCRAFTS EVERYDAY ON HELPLESS REFUGEES AND PAKISTANI CIVILIANS. PAKISTANIS HAVE GIVEN SUPREME SACRIFICES IN TERMS OF ACCOMMODATING AFGHAN REFUGEES AND SUPPORTING THE MUJAHIDEEN.

FOR THIS THEY DESERVE OUR GRATITUDE AND ASSURANCE OF CONTINUED ASSISTANCE IN THEIR STRUGGLE ON BEHALF OF THE ENTIRE FREE WORLD.

I STRONGLY SUPPORT THE ADMINISTRATION'S DECISION TO CONTINUE ITS ECONOMIC AND MILITARY ASSISTANCE TO PAKISTAN FOR ANOTHER SIX YEARS.

PREPARED STATEMENT OF GEN. JOHN R. GALVIN

AS COMMANDER-IN-CHIEF, UNITED STATES SOUTHERN COMMAND, I AM RESPONSIBLE FOR US MILITARY ACTIVITIES IN CENTRAL AND SOUTH AMERICA. THIS IS CURRENTLY AN AREA OF LOW INTENSITY CONFLICT, WITH WAR IN EL SALVADOR, WAR IN NICARAGUA, AND GROWING SUBVERSION AND INSURGENCY IN AT LEAST TEN OF THE REMAINING SEVENTEEN COUNTRIES THAT LIE WITHIN THE REGION UNDER MY COGNIZANCE. I AM DESCRIBING A SITUATION THAT CAN BE SUMMED UP AS DESTABILIZATION ON A LARGE SCALE. THIS INSTABILITY RESULTS FROM THE ACCUMULATION OF FOUR CENTURIES OF PROBLEMS, RECENTLY AGGRAVATED BY AN ENORMOUS ECONOMIC DEBT, AND FURTHER THREATENED BY EXPANDING ILLICIT DRUG TRAFFIC AND A STRONG INSURGENT ATTACK ON NATIONAL POLITICAL INFRASTRUCTURE THAT IS WITHOUT PRECEDENT IN THIS HEMISPHERE. THE PRINCIPAL SUPPORT FOR INSURGENT GROUPS HAS COME FROM CUBA. FIDEL CASTRO -- WITH SOVIET BACKING THAT NOW AMOUNTS TO ABOUT $13 MILLION PER DAY -- PROVIDES GUIDANCE FOR ORGANIZING "UMBRELLA" GROUPS AND INSTILLS A SENSE OF COMMON GOALS. CUBA ALSO FUNNELS WEAPONS AND OTHER ASSISTANCE TO GUERRILLAS IN SEVERAL COUNTRIES.

IT WAS WITH THE ASSISTANCE OF CASTRO THAT NUMEROUS INSURGENT GROUPS UNITED INTO THE FRENTE SANDINISTA LIBERACION NACIONAL (FSLN) IN THE LATE 1970'S. THE SAME IS TRUE FOR THE FRENTE FARABUNDO MARTI LIBERACION NACIONAL (FMLN) IN EL SALVADOR AND THE UNION REVOLUCIONARIA NACIONAL GUATEMALTECA (URNG) IN GUATEMALA. CASTRO HAS TRAINED AT LEAST TWO GROUPS OF HONDURANS IN INSURGENT TACTICS, AFTER WHICH NICARAGUA AIDED IN GETTING THESE GROUPS BACK INTO HONDURAS. RECENTLY CUBA HAS ALSO BEEN HELPING GUERRILLAS IN COLOMBIA AND CHILE. WHILE HE DID NOT CREATE THE DOMESTIC SITUATIONS THAT FACILITATED THE DESTABILIZING RISE OF COMMUNISM IN THE AREA, CASTRO HAS CERTAINLY TAKEN ADVANTAGE OF THEM.

WE TEND TO LOOK AT CUBA AS A FACTOR THREATENING OUR EAST-WEST RATHER THAN NORTH-SOUTH SECURITY RELATIONSHIPS. BUT CUBA TODAY HAS MANY DIFFERENT TRAINING COURSES FOR TERRORISTS AND GUERRILLAS WHOM IT TRAINS IN SEVERAL DIFFERENT LOCATIONS ON ITS TERRITORY. FROM THESE COURSES MORE THAN 10,000 GUERRILLAS ARE NOW BACK IN THE INSURGENT RANKS IN THEIR HOME COUNTRIES. WE TEND TO OVERLOOK THE CUBAN "AMERICAS BUREAU" AND ITS WIDE RANGING INFLUENCE -- CONTROLLING EVEN AMBASSADORS FROM CUBA TO THE VARIOUS COUNTRIES OF LATIN AMERICA. THE AGENTS OF THE BUREAU PLAY A KEY ROLE IN RADICALIZING LABOR UNIONS, SCHOOL SYSTEMS AND MANY OTHER SOCIAL AND POLITICAL ORGANIZATIONS WITHIN THE VARIOUS COUNTRIES OF LATIN AMERICA. THE BUREAU HELPS CASTRO SET THE OVERALL, LONG-TERM DIRECTION AND PROVIDES FINANCING, GUIDANCE, AND TECHNICAL SUPPORT.

IF THE INSURGENT THREAT WERE NOT ENOUGH, IN LATIN AMERICA TODAY WE ARE FACED ALSO WITH THE PHENOMENAL GROWTH OF ILLICIT DRUG TRAFFIC -- A MENACE WHICH THREATENS THE POLITICAL, SOCIAL, AND ECONOMIC STABILITY OF THE REGION. GIVEN A LEVEL OF DRUG TRAFFIC AMOUNTING TO ROUGHLY $13 BILLION PER MONTH IN THE UNITED STATES, THE AVAILABILITY OF TRULY ENORMOUS SUMS OF MONEY IS BREAKING DOWN WEAK GOVERNMENT INFRASTRUCTURE IN LATIN AMERICA.

IT IS ALSO BECOMING CLEAR THAT THE DRUG TRAFFICKERS ARE CLOSELY TIED IN WITH GUERRILLAS AND TERRORISTS. DRUG MONEY IS THE RESOURCE FOR THE PURCHASE OF WEAPONS, EXPLOSIVES, AND

COMMUNICATIONS EQUIPMENT, ALL OF WHICH MAY BE BETTER THAN THE ARMS AND EQUIPMENT AVAILABLE TO THE POLICE AND THE ARMED FORCES. IN EXCHANGE, WE HAVE SEEN INSTANCES OF GUERRILLAS PROVIDING SECURITY FOR NARCOTIC TRAFFICKERS AND ASSISTING THEM IN THE MOVEMENT OF DRUGS.

ON THE OTHER SIDE OF THE COIN, ALL IS NOT "BAD NEWS" IN LATIN AMERICA. THERE IS A DIFFERENT KIND OF U.S. INTEREST IN LATIN AMERICA TODAY THAN THERE HAS BEEN IN THE PAST, ONE THAT IS BASED MORE ON OUR OWN PRINCIPLES AND IDEALS (HUMAN RIGHTS, POLITICAL "SPACE," PLURALISM, NATIONAL PLANNING AND DEVELOPMENT, THE PROPER ROLE OF THE MILITARY) RATHER THAN A PATERNALISTIC APPROACH THAT DID NOT EXTEND MUCH BEYOND COMMERCIALISM.

LATIN AMERICAN GOVERNMENTS HAVE ALSO CHANGED. MOST ARE NOW DEMOCRACIES. WITH SOME NOTABLE EXCEPTIONS, THE NATIONS IN THIS THEATER ARE MORE PARTICIPATORY, COLLECT MORE TAXES, INVEST MORE, BUILD MORE AND EDUCATE MORE, AND IN GENERAL ARTICULATE THEIR NATIONAL INTERESTS WITHIN THE INTERNATIONAL COMMUNITY BETTER THAN THEY HAVE AT ANY TIME IN THEIR HISTORY.

THE MILITARY STRATEGY

GIVEN THE SITUATION I HAVE DESCRIBED, MY MISSION CAN BE SEEN AS THE CLASSIC CAVALRY ROLE: PROTECT THE FLANK, PROVIDE EARLY WARNING OF TROUBLE, BE PREPARED FOR CONTINGENCIES -- AND DO THIS WITH A SMALL FORCE. THIS ALSO COULD BE CALLED "ECONOMY OF FORCE." TO ACCOMPLISH THE MISSION, I HAVE THE FOLLOWING FORCE STRENGTHS:

IN PANAMA 9,700
IN HONDURAS: 1,100
IN EL SALVADOR: 55
IN 16 SECURITY ASSISTANCE OFFICES: 92

BECAUSE OF THE WAY I AM ORGANIZED, WITH REGIONAL AS WELL AS COUNTRY RESPONSIBILITIES, MY PEACETIME STRATEGY IS ACTIVE AT TWO DIFFERENT LEVELS -- REGIONALLY, AND COUNTRY-BY-COUNTRY. THE REGIONAL STRATEGY IS AIMED AT MAINTAINING A STABLE SOUTH FLANK. THE COUNTRY-BY-COUNTRY APPROACH ESTABLISHES THE MILITARY INPUT

FOR 17 DISTINCTLY DIFFERENT COUNTRY STRATEGIES THAT I COORDINATE WITH EACH U.S. AMBASSADOR. THE OVERALL STRATEGY ALSO ADDRESSES NATIONAL CONCERNS WHICH TRANSCEND POLITICAL BOUNDARIES, SUCH AS THE DESTABILIZING EFFECTS OF CUBA, NICARAGUA AND THE DRUG TRAFFICKERS. THIS MORE GENERAL THEATER APPROACH FOLLOWS CLASSICAL LINES (OBJECTIVES, THREATS, CONCEPTS, RESOURCES), WHILE IN INDIVIDUAL COUNTRIES I WORK CLOSELY WITH THE STATE DEPARTMENT, PRINCIPALLY THE 17 AMBASSADORS, TO INSURE THAT MILITARY RELATIONSHIPS SUPPORT THE EFFORTS OF OTHER NATIONAL AGENCIES TO ACHIEVE THE U.S. POLICY GOALS AND OBJECTIVES. THIS RECOGNIZES THE ROLE OF THE MILITARY IN HELPING TO BUILD A SHARED CONSENSUS WITH LATIN AMERICANS ON DEMOCRATIC IDEOLOGY, THE FORM AND ROLE OF GOVERNMENT, AND THE ECONOMIC SYSTEM.

MY TOOLS FOR CARRYING OUT THE OVERALL MILITARY STRATEGY ARE SECURITY ASSISTANCE, FORWARD DEPLOYED FORCES, TRAINING OPPORTUNITIES, INTELLIGENCE SHARING, HUMANITARIAN AND CIVIC ACTION, PEACETIME PSYOPS, COMBINED TRAINING EXERCISES, AND A VARIETY OF "VEHICLES" FOR PROFESSIONAL DIALOGUE (STAFF VISITS, WORKSHOPS, SEMINARS AND LECTURES, MAP EXERCISES, UNIT AND PERSONNEL EXCHANGE PROGRAMS, INSTRUCTOR AND SUBJECT MATTER EXCHANGES, PANAMA CANAL AREA MILITARY SCHOOLS AND THE SCHOOL OF THE AMERICAS). I USE THESE MEANS TO CONTRIBUTE MILITARILY TO REGIONAL STABILITY BY:

- REVITALIZING AND SUSTAINING HIGHLY PROFESSIONAL MILITARY-TO-MILITARY RELATIONSHIPS WITHIN THE FRAMEWORK OF POSITIVE GOVERNMENT-TO-GOVERNMENT TIES;

- PROMOTING APOLITICAL MILITARY INSTITUTIONS THAT SUPPORT DEMOCRATIC DEVELOPMENT, RESPECT HUMAN RIGHTS, ARE SUBORDINATE TO CIVILIAN CONTROL, AND ARE COMMITTED TO HIGH STANDARDS OF MILITARY PROFESSIONALISM AND ETHICS;

- ENHANCING DETERRENCE IN CENTRAL AMERICA BY SIGNALING A FIRM COMMITMENT TO THE AREA, IMPROVING HONDURAN AND COSTA RICAN READINESS, AND PROVIDING HIGH QUALITY TRAINING FOR U.S. MILITARY PERSONNEL;

- o SUPPORTING COUNTERINSURGENCY OPERATIONS IN EL SALVADOR AND HELPING OTHER LATIN AMERICAN MILITARIES TO COMBAT TERRORISM AND INSURGENCY WHEN REQUESTED; AND

- o IMPROVING REGIONAL DEFENSE COOPERATION TO COUNTER INSURGENT UNIFICATION AND NARCOTICS TRAFFICKING, TO PRECLUDE REGIONAL CONFLICTS, AND TO ENCOURAGE NATIONAL DEVELOPMENT AND COLLECTIVE SECURITY.

THE SECOND LEVEL OF STRATEGY CAN BEST BE SEEN BY EXAMPLE. IN HONDURAS, THIS COUNTRY-LEVEL STRATEGY ADDRESSES THE VERY REAL THREAT TO REGIONAL STABILITY POSED BY SANDANISTA NICARAGUA AS WELL AS ITS OWN PARTICULAR SECURITY PROBLEMS. IN COORDINATION WITH THE AMBASSADOR, I WORK AT BOLSTERING HONDURAN DEFENSIVE CAPABILITIES AND ENHANCING INTERNAL STABILITY. THE STRATEGIC MEANS AVAILABLE TO ME TO WORK TOWARD THESE OBJECTIVES WITH THE COUNTRY TEAM ARE THE SAME AS IN THE GENERIC MILITARY STRATEGY -- SECURITY ASSISTANCE, FORWARD DEPLOYED FORCES, TRAINING EXERCISES, INTELLIGENCE SHARING, AND SO FORTH. GIVEN THE NATURE OF THE THREAT AND OF OUR OBJECTIVES, MY CONCEPT IS BASED ON:

- o DETERRING SANDINISTA AGGRESSION AND INTIMIDATION THROUGH A TEMPORARY FORCE PRESENCE THAT EMPHASIZES A COMPREHENSIVE EXERCISE PROGRAM.

- o ASSURING THE HONDURAN GOVERNMENT BY OUR ACTIONS AT SEVERAL LEVELS (SUCH AS FORCE PRESENCE, CONTINUED EXERCISES, INTELLIGENCE SHARING, AND CIVIC ACTION PROGRAMS) THAT THE U.S. IS COMMITTED TO SECURITY AND DEVELOPMENT IN HONDURAS.

- o ASSISTING IN THE MODERNIZATION AND PROFESSIONALIZATION OF THE HONDURAN SECURITY FORCES. (ACTIONS INCLUDE SECURITY ASSISTANCE, EXERCISES, MOBILE TRAINING TEAMS, VISITS BY SURVEY TEAMS, AND MANY DIFFERENT FORMS OF PROFESSIONAL DIALOGUE)

AS WE CARRY OUT THIS SUPPORT OF HONDURAN NATIONAL STRATEGY, WE ALSO FIND GREAT BENEFITS FOR OURSELVES. DEVELOPMENT OF U.S.

FORCES TO HONDURAS PROVIDE UNPARALLED, REALISTIC TRAINING OPPORTUNITIES.

IN SUM, THE TWO LEVELS OF SOUTHCOM MILITARY STRATEGY AIM AT ACCOMPLISHING A BROAD MISSION USING LIMITED RESOURCES. (FOR EXAMPLE, THE ENTIRE MILITARY ASSISTANCE PROGRAM (MAP I.E., GRANT AID FUNDS) FOR SOUTH AMERICA SOUTH OF PANAMA FOR THE LAST FISCAL YEAR TOTALED ONLY $5.6 MILLION). I WORK THROUGH MILITARY-TO-MILITARY CONTACTS TO ACCOMPLISH THREE INTER-RELATED PRIORITIES: IMPROVE REGIONAL SECURITY, ENCOURAGE NATIONAL STABILITY, AND IN ESSENCE SERVE AS AN EXAMPLE OF A MILITARY INSTITUTION SURORDINATE TO CIVILIAN LEADERSHIP IN A DEMOCRACY.

SECURITY ASSISTANCE -- A STRATEGIC ISSUE

THE SECURITY ASSISTANCE SYSTEM IS CRUCIAL TO THE DEVELOPMENT AND IMPLEMENTATION OF MY REGIONAL AND COUNTRY-SPECIFIC MILITARY STRATEGY. IN A THEATER WITHOUT A SIZEABLE FORWARD DEPLOYED FORCE PRESENCE, FREQUENT LARGE-SCALE COMBINED MILITARY EXERCISES, AND DAY-TO-DAY MILITARY-TO-MILITARY CONTACT FACILITATED BY A WELL-DEVELOPED ALLIANCE STRUCTURE, NONE OF WHICH EXIST IN LATIN AMERICA, SECURITY ASSISTANCE TAKES ON AN IMPORTANCE AND SENSITIVITY AS A STRATEGIC TOOL THAT IS UNIQUE. I FIND THE ABILITY OF THE CURRENT SYSTEM TO MEET THIS CHALLENGE IN MY THEATER TO BE LACKING. THE TIME HAS COME, I BELIEVE, TO RE-EXAMINE THE SECURITY ASSISTANCE SYSTEM TO ENSURE THAT IT HAS THE INHERENT FLEXIBILITY THAT IS NEEDED TO MAKE THE RIGHT STRATEGIC IMPACT IN THE DEVELOPING REGIONS WHERE OUR NATIONAL INTERESTS AND THOSE OF OUR ALLIES ARE TODAY FREQUENTLY THREATENED BY DESTABILIZATION AND LOW-INTENSITY CONFLICTS.

KEY STRUCTURAL PROBLEMS

MY LOOK AT THE HISTORY OF THE FOREIGN ASSISTANCE PROGRAM INDICATES THAT WE HAVE NEVER BEEN TOTALLY SATISFIED WITH THE SYSTEM. IT HAS UNDERGONE CYCLICAL CHANGES ABOUT EVERY TEN YEARS SINCE THE END OF WORLD WAR II. IT IS ONLY WITHIN THE LAST DECADE THAT MANY HAVE COME TO REALIZE THAT WE MUST FIND A MIDDLE GROUND. STEPS STILL NEED TO BE TAKEN; HOWEVER, TO INTEGRATE OUR TOTAL

FOREIGN ASSISTANCE EFFORT INTO A COMPREHENSIVE PROGRAM SUPPORTIVE OF OUR POLICY OBJECTIVES, WHICH IN LATIN AMERICA ARE DEMOCRACY, DEVELOPMENT, DIPLOMACY, AND DEFENSE.

WHILE POSITIVE MEASURES HAVE BEEN TAKEN, THE CURRENT SECURITY ASSISTANCE LEGISLATION IS UNBALANCED. THE REFORMS TO THE FOREIGN ASSISTANCE ACT AND THE ARMS EXPORT CONTROL ACT MADE IN 1974 AND SINCE, PLACE THE U.S. FIRMLY ON THE MORAL HIGHGROUND. CORRECT EFFORTS THEN WERE MADE TO BASE SECURITY ASSISTANCE ON PRINCIPALS OF HUMAN RIGHTS, ARMS CONTROL, AND NUCLEAR NON-PROLIFERATION. ON THE OTHER HAND, THE LEGISLATION STILL CONTAINS COUNTERPRODUCTIVE RESTRICTIONS ON MILITARY ARMS SALES, MILITARY AID PROGRAMS, AND MILITARY RELATIONSHIPS. LET ME HIGHLIGHT SEVERAL AREAS WHICH HAVE AN ADVERSE IMPACT ON THE IMPLEMENTATION OF MY STRATEGY.

- "FULL COST" PRINCIPLE. THE ARMS EXPORT CONTROL ACT SETS UP RIGOROUS COST RECOVERY REQUIREMENTS WHICH OFTEN MAKE IT DIFFICULT TO PROVIDE NEEDED MILITARY EQUIPMENT AND SERVICES TO ELIGIBLE, BUT FUND-POOR FRIENDS AND ALLIES. MOST OF THE WAIVERS NOW AUTHORIZED ARE DIRECTED TO IMPROVING STANDARDIZATION WITH KEY ALLIES SUCH AS NATO, BUT A RESULT IS THAT RELATIVELY ECONOMICALLY SOUND COUNTRIES GET FAVORED PRICING WHILE POOR NATIONS, SUCH AS IN LATIN AMERICA, DO NOT. THE LEGISLATION SIMILARLY AFFECTS THE PRICE OF U.S. MILITARY TRAINING, MAKING IT TOO COSTLY FOR THE DEVELOPING COUNTRIES THAT NEED IT THE MOST. AS A RESULT, FEWER AND FEWER FOREIGN MILITARY MEMBERS RECEIVE EXPOSURE TO U.S. MILITARY DOCTRINE AND PHILOSOPHY.

- FIVE-TIER PRICING STRUCTURE. IN RECOGNITION OF THE PROBLEMS ASSOCIATED WITH TRAINING UNDER THE "FULL COST" PRINCIPLE, SEVERAL PRICE BREAKS NOW ARE AUTHORIZED UNDER THE ARMS EXPORT CONTROL ACT. THIS CREATED THE FIVE-TIER PRICING STRUCTURE, WHICH IN PRACTICE IS CONFUSING TO OUR ALLIES AND COSTLY TO ADMINISTER. FOUR DIFFERENT TRAINING CATALOGS HAVE TO BE MAINTAINED (FMS-NATO, FMS-IMET, FMS-OTHER, GENERAL-FMS); FIVE DIFFERENT PRICES FOR EVERY TYPE OF MILITARY RELATED TRAINING THAT THE U.S. PROVIDES HAVE TO BE COUNTED. IT WOULD MAKE MUCH MORE SENSE TO PROVIDE MILITARY TRAINING AT ONE LOW PRICE. WE SHOULD AIM TO RECOUP ONLY THE ADDITIONAL COSTS INCURRED BY THE U.S. GOVERNMENT AND DISPENSE WITH "FULL COST" REQUIREMENTS ALTOGETHER.

o MANNING SECURITY ASSISTANCE OFFICES. OUR LATIN AMERICAN SECURITY ASSISTANCE OFFICES (SAOS) ARE MANNED AT A LEVEL FAR TOO LOW TO REALIZE OUR POLICY OBJECTIVES. THE FOREIGN ASSISTANCE ACT (FAA) REQUIRES THAT THE SAOS BE STAFFED WITH NO MORE THAN SIX MILITARY PERSONNEL UNLESS MORE ARE AUTHORIZED BY THE PRESIDENT OR CONGRESS. IN MY THEATER THIS MEANS THAT THE UNITED STATES HAS ONLY 92 (147 IF YOU INCLUDE THE 55 IN EL SALVADOR) MILITARY PERSONNEL AUTHORIZED TO COVER AN AREA STRETCHING FROM THE RIO GRANDE TO TIERRA DEL FUEGO. IN BRAZIL, A COUNTRY THE SIZE OF OURS, I AM ONLY AUTHORIZED A SAO OF SIX MILITARY PERSONNEL -- IN 1970 THERE WERE 40.

WORKING AS PART OF COUNTRY TEAMS, THE SAOS PROVIDE INVALUABLE INSIGHT INTO THE HOST NATION'S STRATEGIC CONCERNS AND POLITICAL MOTIVATIONS AS WELL AS THE ORGANIZATIONAL AND TRAINING REQUIREMENTS OF THE MILITARY ESTABLISHMENT. ALL SUCH INFORMATION FIGURES PROMINENTLY IN THE DEVELOPMENT OF STRATEGY. THE PROGRAMS CARRIED OUT BY THE SAOS SERVE TO PROFESSIONALIZE MILITARY INSTITUTIONS, IMPROVE REGIONAL MILITARY CAPABILITIES, PROMOTE NATIONAL DEVELOPMENT, AND FOSTER HOST COUNTRY MILITARY SUPPORT FOR DEMOCRATIC INSTITUTIONS. INDIRECTLY OUR SAOS COMBAT TERRORISM, INSURGENCY, AND DRUG TRAFFICKING. THESE ARE POLICY GOALS. THE SAOS SHOULD BE MANNED ACCORDINGLY, REFLECTING ALL OF THEIR FUNCTIONS NOT JUST THOSE THAT SUPPORT FOREIGN MILITARY SALES. THE SAOS PLAN AN IMPORTANT ROLE IN SUPPORT OF U.S. POLICY AND ARE NOT SIMPLY THE CLERKS OF SECURITY ASSISTANCE.

- ADMINISTRATIVE SURCHARGE. THE COST OF MAINTAINING SAOS TODAY MUST BE RECOUPED FROM MAP GENERAL FUNDS AND FROM SURCHARGES ADDED TO FOREIGN MILITARY SALES. AS SALES DECLINE, THE U.S. MUST FIND AN ALTERNATIVE SOURCE OF FUNDING OR CONSIDER DECREASES IN SECURITY ASSISTANCE MANNING, BASED ON THE FUNDS AVAILABLE. SALES HAVE BEEN DECLINING SINCE 1984. UNLESS ALTERNATIVE FUNDING CAN BE FOUND, A CUT OF EIGHT SAO PERSONNEL HAS BEEN PROPOSED THIS YEAR FOR MY COMMAND. THIS RUNS CONTRARY TO THE NEED TO EXPAND MILITARY-TO-MILITARY RELATIONS WITH THE MANY YOUNG DEMOCRACIES IN LATIN AMERICA. ARMS SALES ARE AN INAPPROPRIATE AND UNRELIABLE SOURCE OF FUNDING TO STAFF BILLETS THAT ARE CRUCIAL TO THE DEVELOPMENT AND IMPLEMENTATION OF OUR STRATEGY.

- IMET RESTRICTIONS. LEGISLATIVE RESTRICTIONS REDUCE THE EFFECTIVENESS OF THE INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET) PROGRAM. THE SANCTIONS INCORPORATED INTO THE FOREIGN ASSISTANCE AUTHORIZATION AND APPROPRIATION ACTS CUT OFF SECURITY ASSISTANCE TO NATIONS THAT IN SOME WAYS ARE AT ODDS WITH U.S. POLICY. COUNTRIES CURRENTLY SUBJECT TO IMET SANCTIONS INCLUDE ARGENTINA, BOLIVIA, BRAZIL, CHILE, COSTA RICA, GUYANA, AND PERU. THE NATIONS SANCTIONED REPRESENT 80% OF MY AREA OF RESPONSIBILITY AND 71% OF ITS POPULATION. BY CUTTING OFF IMET WE LIMIT OUR ABILITY TO REACH THE FUTURE DECISIONMAKERS IN A POSITIVE SUPPORTIVE WAY.

- TRAINING OF POLICE. WITH SOME EXCEPTIONS, SECURITY ASSISTANCE FUNDS CANNOT BE USED TODAY TO PROVIDE TRAINING TO POLICE AND OTHER LAW ENFORCEMENT PERSONNEL. (THE EXCEPTIONS TO THIS POLICY FOR EL SALVADOR AND HONDURAS; FURTHERMORE, EXPIRE AT THE END OF FY87). THE LEGISLATIVE RESTRICTIONS WERE APPROPRIATE WHEN APPROVED OVER TWELVE YEARS AGO, BUT NOW THEY NEED TO BE MADE LESS RESTRICTIVE OR ELIMINATED, BECAUSE THE ORIGINAL REASONS FOR THE PROHIBITION ARE GENERALLY NO LONGER VALID. THE CHALLENGE

FACED BY LATIN LAW ENFORCEMENT PERSONNEL TODAY IS ONE POSED BY WELL-ARMED, SOPHISTICATED TERRORISTS, URBAN GUERRILLAS AND DRUG DEALERS. THE NEW TRAINING REQUIREMENTS FOR THE POLICE GO FAR BEYOND JUST MAINTAINING LAW AND ORDER. BECAUSE OF THE PARAMILITARY NATURE OF THE THREAT, OUR MILITARY FORCES SHOULD BE ALLOWED TO PROVIDE SELECTIVELY SPECIALIZED, MILITARY SKILL-BASED TRAINING. THE ADMINISTRATION HAS PROPOSED THAT ALL COUNTRIES WITH DEMOCRATICALLY ELECTED GOVERNMENTS BE PERMITTED POLICE TRAINING.

MAKING THE SYSTEM WORK TODAY

THE LIST OF STRUCTURAL PROBLEMS ABOVE IS BY NO MEANS COMPLETE. IN IMPLEMENTING MY STRATEGY, I AM FACED FREQUENTLY WITH THE NEED TO FIND WAYS TO MAKE THE SECURITY ASSISTANCE PROCESS WORK BETTER. THE MOST COMMON WAYS IN WHICH THIS IS ACCOMPLISHED IS THROUGH DETERMINATIONS AND EXCEPTIONS (USED EXTENSIVELY IN EL SALVADOR WHERE CAREFUL MANAGEMENT OF SECURITY ASSISTANCE HAS HELPED SAVE THE COUNTRY) OR TO TURN TO NON-SECURITY ASSISTANCE PROGRAMS SUCH AS EXCHANGE VISITS, PERSONNEL EXCHANGES PROGRAMS (PEPS), AND OFFICIAL VISITS. DOD HAS ALSO TAKEN STEPS TO MAKE THE PRESENT SYSTEM WORK BETTER.

ACTION AGENDA

MY FOCUS IS ON THE SECURITY ASSISTANCE DIMENSION OF THE FOREIGN ASSISTANCE LEGISLATION, SPECIFICALLY MAKING THIS DIMENSION MORE SUPPORTIVE OF U.S. POLICY OBJECTIVES IN LATIN AMERICA. I BELIEVE WE ARE GETTING LESS THAN OUR MONEY'S WORTH AND ARE DOING LESS THAN WE ARE CAPABLE OF DOING. THE LIST BELOW PRESENTS MY VIEW OF ACTIONS THAT CAN BE TAKEN NOW.

- ESTABLISH A REQUIREMENT THAT THE U.S. GOVERNMENT MUST RECOUP ONLY THOSE "ADDITIONAL COSTS" INCURRED IN CONDUCTING FOREIGN MILITARY SALES (VICE FULL-COST).

- AUTHORIZE JUSTIFICATIONS FOR ASSIGNING SECURITY ASSISTANCE PERSONNEL WHICH BETTER RECOGNIZE THE MANY

FUNCTIONS THAT THEY CARRY OUT IN SUPPORT OF COMBINED SECURITY AND MILITARY RELATIONS TO ACHIEVE FOREIGN POLICY GOALS.

- AUTHORIZE SUFFICIENT FUNDING TO MAINTAIN OUR SECURITY ASSISTANCE OFFICES OVERSEAS. ADMINISTRATIVE CHARGES ON FOREIGN MILITARY SALES ARE NOT A RELIABLE SOURCE.
- EXEMPT THE IMET PROGRAM FROM RESTRICTIONS IMPOSED BY THE GLENN-SYMINGTON AMENDMENT, BROOKE AMENDMENT, AND FAA SECTION 620.
- BROADEN THE AUTHORIZATION OF TRAINING AND ASSISTANCE FOR FOREIGN CIVILIAN POLICE FORCES WHICH MAY BE PROVIDED UNDER THE FAA.
- LAST, I WOULD SUGGEST THAT SECURITY ASSISTANCE BE GIVEN A NAME CHANGE. THE TERM "SECURITY ASSISTANCE" CONJURES UP IMAGES OF A GIVE AWAY PROGRAM WHEN, IN FACT, MILITARY AID CONTRIBUTES AS MUCH TO OUR OWN DEFENSE NEEDS AS TO THOSE OF THE RECIPIENTS. A NAME LIKE "DEFENSE COOPERATION" BETTER REFLECTS THE PROGRAM'S MUTUAL BENEFITS TO THE U.S. AN ITS ALLIES.

PREPARED STATEMENT OF NICHOLAS N. EBERSTADT

Mr. Chairman, I am pleased to testify today before the Subcommittee on the issue of famine recovery and long-term development in sub-Saharan Africa. I have been asked to review and comment upon draft legislation now before Congress that pertains directly to this issue. The Administration, the House, and the Senate have each proposed language that would operationalize,in particular ways, the wide-spread American concern about the plight and prospects of sub-Saharan Africa's populations. Although there are specific differences between these three versions, what is most striking is their similarities. In their analyses of the sub-Saharan region's current problems, views of future solutions to these difficulties, and recommendations for American action, the three draft aid bills are broadly parallel. They are congruent on many particulars, and almost identical in some important respects. I hope it will not be taken as a slight to the authors of the several proposed versions of proposed legislation for aid to Africa if my comments do not address each separately.

In analyzing the present situation in sub-Saharn Africa, all three drafts ascribe serious and deterimental consequence to the high fertility and rapid rates of natural increase that are today so characteristic of the region. All three drafts suggest that economic progress in sub-Saharan Africa could be promoted by lowering fertility levels and reducing rates of population growth--although they insist that such reductions, if and when they occur, must be voluntary. Each of the drafts directs American development aid to fund population programs which, while stipulated to be voluntary, are hoped nevertheless to result in reduced fertility for local African populations.

Population growth is directly linked to another problem all three drafts identify as critical: this is environmental degradation and deterioration. All versions of the draft legislation would direct American development aid to fund environmental projects in the sub-Sahara. The House version would stipulate that population programs and environmental projects each recieve a minimum of ten percent of the new US aid proposed for Africa; the Senate version would set no specific levels for the two programs, but would require a minimum of thrity percent of all development aid for the sub-Sahara to be spent in the areas of population, environment, and health.

All three drafts discuss sub-Saharan Africa's burden of international debt. Though the drafts treat the debt problem differently, each seems to identify the debt position of the sub-Saharan countries as a serious constraint to future material advance in the region.

Finally, all three versions of the proposed aid legislation place high hopes in the prospects for "economic policy reform", and in the benefits to be derived from such reforms. Each draft directs the American government to spend development aid funds on encouraging sub-Saharan governments to adopt policies and practices different from those they currently enforce.

Having had no training in law, I would not wish to comment on the technics of these several drafts. I would like instead to focus on the broader topic of effectiveness in public policy. If public policy is to make a positive contribution to popular wellbeing, it must begin by correctly assessing the problems it wishes to address. Incorrectly assessed problems lead to public policies that make ineffective use of scarce public funds. They may have even more serious consequences for their intended beneficiaries, many of whom may be voiceless and vulnerable.

The legislation proposed by the Administration, the House, and the Senate are all animated by the humanitarian generosity for which the United States is rightly reknowned, and reflect the preferences of the American public that the good things of the twentieth century, including the prosperity that twentieth century knowledge has made possible, be generally available.

Unfortunately, neither the Administration's proposed legislation, nor the draft legislation proposed by the House or the Senate, can be expected to champion these sentiments and objectives effectively. There is little reason to expect any of these drafts, if enacted into law, to contribute broadly to self-sustaining material advance in sub-Saharan Africa. To the contrary: there seems to me good reason to worry whether the funds marshalled in these proposed efforts would not be turned into unproductive social welfare spending--or whether they would not result in consequences still worse.

These risks arise, in my view, because all three drafts of the proposed African development aid legislation proceed on the basis of some serious misunderstandings about the nature of the problems now facing the populations of the sub-Sahara. In the following pages, I wish to address four topics upon which the misimpressions embodied in the proposed legislation seem to me to be most significant--and,. potentially, most injurious. There are : population, environmental degradation, debt relief, and "policy reform".

Population

Many institions and individuals involved today in the business of dispensing Western aid to African governments are on record identifying population growth as a major obstacle to "development" in the sub-Sahara. Some have suggested that population growth is the prime obstacle to material advance throughout Asia, Africa, and Latin America. M. Peter Mc Pherson, Administrator of the US Agency for International Development, has stated, for example, that "the critical problem of excessive population growth in the Third World...constitutes the primary obstacle to increasing per capita food production, reducing malnutrition and chronic disease, and conserving dwindling non-renewable resources". Organizations and individuals of similar view have advocated vigorous population programs for sub-Saharan Africa, to be financed in large part by donations and tax funds from the West.

By and large, this viewpoint ignores both the reasons for population growth in Africa today, and the likely consequences of implementing aggressive government-sponsored population policies in the contemporary African context.

Population figures for sub-Saharan Africa are very much less accurate and comprehensive than some commentators seem to suppose. There is, for example, not a single country in the sub-Sahara with a near-complete registration system for either births or deaths. This is not by judgement, but rather the assessment of the United Nations' Population Division. As best can be told, however, population growth has accellerated rapidly throughout sub-Saharan Africa since the end of the Second World War. It appears that the principal cause of the increased pace of population growth has been a pronounced and general drop in death rates. (In some areas, it appears that fertility may also have increased, but increases in fertility are thought to have been a decidedly secondary factor in the accelleration of population growth for the region as a whole.) Declining death rates, of course, mean that life expectancy is increasing. The pervasive drop in death rates in sub-Saharan Africa, therefore, would indicate a pervasive improvement in health conditions over previous levels. Increases in fertility, to the extent these have actually occurred, may also speak to improvements in health.

Other things being equal, one would expect inprovements in health to be conducive to improvements in productivity. If improvements in health--which is , after all, the principal factor in the detonation of sub-Saharan Africa's "population explosion--have not led to a general improvement in economic productivity, one must wonder why they have not done so . Improvements in health have coincided with improvements in economic productivity, broadly speaking, in both Asia and Latin America in the postwar period.

A fact neglected in much of the discussion of the "population problem" in sub-Saharan Africa is that parents throughout the region appear to prefer large families. The preference is strong, and it is pervasive. It is shared across language groups, and spans the income scale; indeed, even Africa's educated elites evidence an unmistakeable preference for large families. Under such circumstances, population programs which have as an explicit, or thinly disguised, purpose the reduction of parental fertility are likely to be viewed with the deepest suspicion by the common people who are presumably the beneficiaries of these proposed population programs. An additional complication arises from the tribal nature of contemporary sub-Saharan rule. The overwhelming majority of sub-Saharan countries are composed of a collection of tribal groups; typically, goverments are dominated by tribes that are in competition with, or hostile towards, pther populations within the same territorial boundaries. Post-colonial African history is replete with instances in which government has been used as a tool of tribal war. Under such circumstances, vigorous population programs run the risk of fraying still further political fabrics that are already in delicate repair. How such tensions would contribute to "long-term development" is not immediately apparent.

What is meant by "success" in population policy in sub-Saharan Africa may perhaps be seen in Kenya. The Kenyan government has been enthusiastically promoting population programs for nearly 20 years; these have been explicitly linked with the government's oft-repeated objective of lowering national fertility. The most recent data suggest that less than one seventh of Kenya's adult population of childbearing age make use of these programs. But the government's preoccupation with reducing national fertility has not gone unnoticed by the local population. In 1985, when southern portions of Kenya were stricken by drought, victims refused relief shipments of grain: the rumor had circulated that the grain, from the United States, had been laced with sterilizing agents. It may do well to remember that Kenyans live under one of Africa's more enlightened and less oppressive governments.

American advocates of population programs for sub-Saharan Africa typically insist that they favor voluntary family planning. They typically suggest that they wish parents to be able to achieve the family size that parents themselves desire. Their claims are contradicted by the very nature of the programs they are helping to devise. In most of sub-Saharan Africa, it is infertility-- not unwanted pregnancies--that women identify as the top concern. In much of sub-Saharan Africa, the fate of a barren woman is not an enviable one. Yet population funding to combat infertility in the sub-Sahara is negligible; the problem apparent to so many Africans is scarcely mentioned in much of the literature of Western advocates of population programs for the sub-Sahara.

If family planning were to be truly voluntary, population programs would not be linked to numerical population targets, set as objectives for governments to obtain. The very groups which favor "voluntary" population programs for sub-Saharan Africa, however, typically see no contradiction in attaching targets of fertility alteration to these programs--even when the explicit goals with regard to fertility alteration are radical and extreme. In Ghana, for example, "voluntary" family planning programs co-exist in the government's population program with a target to see national fertility levels reduced by half by the year 2000. How the government might meet such a target voluntarily is by no means clear.

Environmental Degradation

It has often been suggested that a principal cause of sub-Saharan Africa's current economic difficulties is the environment. In particular, it has been asserted that unusual shortfalls in rain, the progressive extension of the deserts, and deteriorations resulting from population growth have in recent years been largely responsible for the well publicized agricultural difficulties that have beset so much of the region. A number of individuals and institutions in the business of dispensing Western aid in sub-Saharan Africa have stated or implied that the recent famines in the sub-Sahara may be understood as the natural consequence of unfavorable trends in weather and the environment.One could easily get such an impression from the language of the

House and Senate versions of the draft aid legislation now under consideration.

Such arguements, however, are both misinformed and misleading. There is no "natural" connection between drought and famine in the modern world--even in poor countries. One may recall that India suffered serious failures inits monsoons for two years in a row in the 1960s; the impact on food production was severe, but India did not experience famine as a consequence. Even in a poor society, a government can cope with drought in such a way as to minimize or prevent a rise in death rates--if it is interested in doing so.

Throughout much of the sub-Sahara, erratic rainfall patterns have been a longstanding meteorological condition. The written historical record for most of the sub-Sahara is comparatively recent. As best can be told, however, variations in precipitation did not automatically trigger famines in the sub-Sahara in the past--even though localities were typically more isolaqed, less monetized, and further removed from avenues of outside assistance than they are today. Evidence seems to suggest that local households and communities, then as now, provided for contingency. If these preparations are today in certain areas insufficient to protect local populations against the threat of famine, one must ask why this is increasingly the case.

The record in Ethiopia under Marxist-Leninist rule may provide a partial answer.In the years since the Derg took power, the country's agricultural system has undergone forcible collectivization; its educated and skilled personnel have been subjected to a reign of terror; its relief for the needy, when provided, has been meted out on the basis of extreme ethnic and political selectivity. Under such circumstances, it would be only a matter of time before such policies led a country like Ethiopia into famine. It should be emphasized that famine would be the likely eventual result of such practices entirely irrespective of local weather patterns.

Ethiopia is by no means the only state in the sub-Sahara where adverse results of government policy are sometimes ascribed to the weather. In Tanzania,for example, regional and countrywide food shortages have been officially explained for more than a decade in terms of weather problems. Such official explanations seem to ignore the effect of Tanzania's ujamaa program of comprehensive, forced agricultural collectivization on the ability of the economy to produce agricultural goods, and on the ability of the populace to purchase the the foods they desire and need.

There has been much talk of the impact of desertification and environmental degradation on sub-Saharan agriculture. To a significant degree,these discussions have been anecdotal in nature, focusing on particular stories rather than upon comprehensive statistical data. Such anecdotal discussion is in part an inadvertant testimony to the sorry state of statistical services in the sub-Sahara, governments which have so much difficulty (and in some cases, so little interest) in counting their own populations are not likely to be able to document changing ecological conditions with either ease or accuracy. Statistics pertaining to sub-Saharan Africa must be used with caution and care, for they are less reliable than often seems to be assumed. For what it is worth, however, the US Department of Agriculture has attempted to assemble estimates of agricultural trends for the various sub-Saharan countries. According to these numbers, there has been considerable variation in performance among countries in the sub-Sahara since the late 1960s. The countries with the worst performance trends over the period from 1969/71 to 1983/85, by these estimates, were Angola, Ghana, and Mozambique. None of these countries are in the Sahel--the sub-Saharan region most seriously affected by drought. These three countries, of course, are located in three distinct regions of the sub-Sahara; neither Ghana nor Angola are in regions thought to have experienced particularly adverse weather trends in the 1970s or early 1980s. Yet in each of these countries total agricultural output is estimated to have been lower in the mid 1980s than it had been a decade and a half earlier.It is important to remember that we are talking about _total_ agricultural output here; even if population in these countries had remained staionary, per capita output would have declined over this period.

According to the USDA's estimates, per capita output of agricultural goods fell by over forty percent in both Ghana and Mozambique between 1969/71 and 1983/85. Over those same years, per capita agricultural output is estimated to have risen in both the Ivory Coast and Malawi. The Ivory Coast shares a long border with Ghana; Malawai is adjacent to, and in fact largely surrounded by, Mozambique.

If weather and environment were a decisive factor in the agricultural and economic problems of the sub-Sahara today, one would not expect to witness such strikingly different performance records in neighboring countries.

Preoccupation with the specter of environmental degradation can divert attention from the role of civil order and enlightened government policy in promoting agricultural progress. Political decay, domestic turmoil, and destructive economic or social policies, after all, may be expected to have an impact on the ability and inclination of rural populations to maintain and enhance the productivity of soil, forests, or pastoral lands. Preoccupation with environmental degradation, moreover, tends to focus undue attention on agriculture and agricultural production. Although its role may be important, agriculture is but a single sector within the economy of even the poorest countries. Increasing local agricultural production often coincides with broad material advance, but it is not indispensible to this process. Between the late 1960s and the mid 1980s, for example, Japan's per capita agricultural output fell by about ten percent--yet few people would view those as years of economic retrogression in Japan. More important to the welfare of individuals than the increase in production of any given commodity is the increase of individuals' and households' purchasing power. Attention to increasing a population's purchasing power is consistent with attention to the productive capacities of the land. Preoccupation with environmental degradation, by contrast, does not necessarily lead to an interest in increasing a people's purchasing power.To the contrary: one hears the arguement today that people's incomes must be limited if the environment is to be preserved; one can even hear this arguement applied to some of the poorest regions of the earth. To restrict consciously the incomes of poor populationsin the name of environmental protection, however, would strike many ordinary people as a bizarre and even inhuman notion. Certainly it would seem to be a strange definition of "development".

Debt Relief

The call for debt relief figures prominantly in the new foreign aid initiatives currently being proposed for the sub-Sahara. The draft legislation now before the Senate, for example, would have the US Secretary of the Treasury "instruct" our representatives at the International Monetary Funds and the various multilateral development banks (including the World Bank) to "pursue actively" the possibility of "rescheduling" terms of payment for "low income countries in sub-Saharan Africa" on loans previously contracted from those organizations. (The Senate language neglects to indicate which, if any, countries in the sub-Sahara should not be considered "low income".) Legislation now before the House goes further: it would "reschedule" not only the public debts of the "low income" sub-Saharan countries to international agencies such as the IMF and the World Bank, but also their debts to the US government. (The House version does define low income; the definition is sufficiently peculiar, however, that it would in all probability exclude only South Africa and its dependencies from the "low income" category.)

"Rescheduling" the sub-Saharan states' official debt to the United States government would involve a partial or full forgiveness of outstanding loans which in total currently amount to over $2.5 billion. The disbursed and outstanding multilateral and IMF loans to "low income Africa", that Congressional draft legislation would wish to affect, totalled over $12 billion at the end of 1984 (by the most recent available estimate of the World Bank), and would presumably be even greater today. (The World Bank's category of "low income" African countries, incidentally, excludes a number of countries which would be candidates for debt relief under the draft Congressional legislation; all totals would thus be correspondingly higher than the figures above suggest).

These amounts, however, pale in comparison with the concessions that have already been requested in international fora--proposals, it should be noted, about which Administration officials have made only favroable general comments. The United Nations Programme of Action for African Recovery and Development 1986-1990, adopted unanimously by the UN General Assembly, would require, in the estimate of the Organization for African Unity, the forgiveness of $35 - $55 billion in outstanding international debts to sub-Saharan states, among other things, if it is to be fulfilled. Since this total far would far exceed the estimated total of disbursed and outstanding debt of "low income Africa" to Western governments and multilateral development banks, it would seem to envision a substantial "rescheduling" of African states' debts to private lenders as well. Directing the American Tresury Secretary to lobby for debt forgiveness for African states should not be expected to moderate, much less satisfy, these international calls for debt relief. To the contrary: such a course of American action should encourage any logical debtor government-- and not just those in Africa-- to harden its position on "rescheduling negotiations", and may be expected as well to embolden some states to take stances on repayment that they would not previously have dared.

The Congressional impulse to pursue debt relief as an avenue for stimulating material advance in the sub-Sahara is informed by a number of seriously mistaken impressions. It is a mistake, for example, to assume that the governments in question "simply can't pay back" the monies they have borrowed--much less make good on the other obligations to which they have committed themselves in contract. In most countries in the sub-Sahara, key industries have been nationalized, and government owned enterprises figure prominently in the economy. It is at best illogical to state, on the one hand, that a government owns a substantial fraction of a country's industrial or economic base and to say, on the other hand, that it has no assets that could be sold if there were a serious intention to make good on contracted debts. There is a distinction between inability and unwillingness to repay a debt, and it must not be obscured.

It is a mistake, moreover, to assume that the actions which might facilitate the redemption of these obligations would necessarily prejudice prospects for material advance, or endanger the poorest populations of the countries in question. To the contrary: the policy changes which would enable sub-Saharan states to repay their debts more easily are not inconsistent with renewed economic growth and improved popular welfare--including improved welfare for the poorest fractions of these local populations.

Let us not forget that the "debt crisis" now afflicting sub-Saharan Africa is, to a very significant degree, a crisis of productivity. Repayment problems have typically arisen because the borrowing states have not earned with the foreign capital at their disposal sums sufficient to meet the original-- and often extremely forebearing-- interest and amortization schedules for their loans. The same policies that led to low rates of return on borrowed foreign capital also depressed exports, discouraged cost management in public and private enterprises, and restricted the opportunities of the less priviledged ethnic groups and social strata to increase their earnings and employment. Greater governmental interest in civil order and respect for property-- including the property of their own subjects-- could be expected to have a predictable and positive impact not only on the ability of the sub-Saharan states to repay their debts, but also on the wellbeing of local subject populations. Pursuit of more liberal trade regimens and domestic policies would perhaps increase the capacity to generate not only export revenues, but also domestic output, demand for labor, and, ultimately, purchasing power for the poor.

It is a mistake to think that forgiving official loans from the West to the governments of the sub-Sahara will necessarily, unambiguously, or even generally reduce the prospective burdens and privations for Africa's subject populations in the years to come. As has been noted, much of the lending to "low income Africa" in the postwar period has been arranged on extremely easy terms. In 1984 (the latest year for which the World Bank has provided comprehensive estimates) over $27 billion of official loans from Western governments and multilateral organizations were disbursed and outstanding to the governments of "low income Africa". This sum accounted for nearly four fifths of all international loans to these countries. Since almost all official loans to the sub-Sahara are arranged on terms more favorable than could be negotiated in the commercial marketplace, this means that about four fifiths of the international borrowings of "low income Africa" are concessional in nature. If concessional lending involves an element of charity, that correspondingly reduces the rate of return that must be earned on borrowed money in order to pay it back. In Africa's current circumstances, we must ask whether it is a kindness to the local populations of the sub-Sahara to hold their rulers to a lower standard of economic performance than the one that commercial borrowers must expect to maintain if they are to attract and repay foreign capital. It is, after all, not the populations of the sub-Sahara who have been granted concessional loans from the West: such lending has, to the contrary, been awarded to their rulers.

The terms upon which a state may secure funding can go far in shaping its own expectations and conduct. Needless to say, most governments in the sub-Sahara, in their present straits, do not need to be encouraged to be less thrifty, less accountable, or to confuse more thoroughly the concepts of commerce and charity. Yet this is precisely what concessional lending to the sub-Sahara has served to do.

The debt relief proposals that are currently being entertained in Congress would vastly intensify this problem. For to enforce a further debt relief on official loans is necessarily to reduce the rate of return that is expected on those particular funds borrowed by those particular states. Already the real rate of interest on much of the official lending to the sub-Sahara is zero, or negative. To drive down the real rate of interest on those loans still further, under present circumstances in the sub-Sahara, will, at the very least, have the effect of excusing wasteful governmental behavior in countries where so many people suffer from stark deprivation. If debt relief is sufficiently far-reaching, it will have the effect of excusing local policies that have been positively destructive in their economic consequence. The moral hazard attendant upon Congress' debt would obtain for any designated beneficiary state, irrespective of its location or of the affluence of its population. But in a region where so many people live so precarious an existence--where, in fact, their plight justifies the very aid proposals under consideration--Congress must consider very carefully the consequence, both today and tommorrow, of seeming to condone, and actually facilitating through American donations, even economically destructive policies inflicted upon the local populations.

Finally: it is a mistake to assume that repayment of the state debts in the sub-Sahara would necessarily endanger the progression from current forms of rule to a more enlightened political order. Assuming responsibility for its own public debts, moreover, need by no means jeopardize a state's prospects for what we in the West would understand as a more "democratic" order. Two things that separate democracy from dictatorships are liberty and responsibility, secured by law. To qualify or reject one's obligation to repay contracted debts--as many African governments have indicated they wish to do, and as Congress would in its proposed legislation assist them in doing--is necessarily to raise serious questions about both responsibilities and individual rights. Western nations, it is sometimes claimed, are "dangerously" strong, and thus have unfair bargaining power in their negotiations with debtor countries in Africa and elsewhere. Let us take such rhetoric at its face value. If the rights of the strong are summarily repealed or amended, what does this portend for the weak? If a government willingly reneges upon its obligations to other sovereign states (and let us not forget that the proposed House legislation would only prevent such a default by preemptively excusing it) what does this suggest about its attitude toward those individuals who must live under its administration? If law can be interpreted, or changed, to allow violation of the rights of the influential at the pleasure of the state, what protections can the poor and the defenseless expect? We should remember that the poor and the weak are always more vulnerable to the abuse of power than the priviledged.

Retroactively excusing the rulers of the sub-Sahara from their international obligations would not seem to be the most promising strategy by which to encourage accountability and responsibility in low income Africa. Nor would such a signal be expected to bolster civic virtue--a quantity already in extremely scarce supply in the sub-Sahara. To the contrary: lawfullness in the sub-Sahara may be expected to suffer directly as a consequence of any general debt relief program advanced by, or acquiesced in, by Western countries. The primary victims of such a policy, in the event, will not be Western taxpayers, but rather the very groups and individuals that their funds are meant to help.

"Policy Reform"

The legislation proposed by the Administration, the House, and the Senate are unanimous in recommending that American foreign aid funds be used to promote "economic policy reform" in sub-Saharan Africa.

The activities and directions that are understood to comprise "economic policy reform" are not identical in these versions of proposed legislation. In fact, to the extent that they are explicitly articulated, the specific objectives of "economic policy reform" are at various points in conflict from one bill to the next, and even within the bills. Be that as it may: all three bills accept the principle and endorse the practice of forstering self-sustaining economic development by paying governments to adopt policies believed to be conducive to this general purpose.

In subscribing to this notion, neither the Administration nor Congress is breaking new ground. To the contrary: the concept of "economic policy reform" that informs this legislation represents the current orthodoxy among official institutions dispensing development aid to governments in Asia, Africa, and Latin America. The US Agency for International Development (USAID) has for a number of years identified "policy reform" as one of the four principal overseas objectives to be secured by its spending. By the same token, the World Bank has for the better part of a decade awarded "structural adjustment" loans to recipient states; such loans, which constitute an increasing fraction of World Bank lending, are not attached to any specific project (as the Bank's Articles of Agreement require every loan to be), but instead are expected to underwrite changes in government policy. The previously mentioned UN Programme of Action explains much of its request for external aid in terms of the need to support "policy reform" in the sub-Sahara; the Organization of African Unity has estimated the resource gap in the Programme, presumably for the West to fill, at about $46 billion.

In some circles in the West, public monies are no longer seen as the sole source of funding for programs in the service of "policy reform". In October 1985, in a now famous speech, US Treasury Secretary James Baker suggested that American banks loan an additional $20 billion to specific debtor governments, above and beyond the level these banks took to be commercially prudent. The rationale for attempting to direct additional private capital into states to which the potential creditors thought it ought not go, Baker explained, was that these funds might help the states in question undertake "policy reforms" that would eventually make them creditworthy.

In the abstract, few observers would oppose the prospect of "policy reform" or "economic policy reform" in sub-Saharan Africa. Far from it. To the extent that sub-Saharan Africa's current circumstances are the result of the practices and actions of local governments, corrective steps by these states would be not only economically beneficial, but absolutely necessary to enhancing prospects for material advance. Unfortunately, there is no reason to expect foreign aid programs financed under the rubrick of "policy reform" to be capable of bringing about these corrective steps, or even of supporting corrective adjustments in any general fashion.

The "policy reform" programs for less developed countries that are currently so popular with, and so heavily subsidized by, agencies dispensing public development aid from the West neglect a simple but rather important fact. The actions of a government depend upon the intentions of the rulers. Providing a government with additional, windfall, resources will increase its freedom to manouver. This will make it easier for the group or groups in power to pursue their objectives, whatever these may be. Additional resources will not, in themselves, alter the intentions of the group or groups in power. By and large, the intentions of governments are altered most effectively by altering the group in power. Since few regimes view their own liquidation with equanimity, proponents of "policy reform" programs face a dilemma. If a government voluntarily accepts aid for "policy reform", this will likely mean that the group or groups in power came to the conclusion that the program would not interfere with the pursuit of the regime's own intentions. If, on the other hand, a program of "policy reform" promises significantly to contstrain, compromise, or alter the ability of the regime to pursue its intentions, and the acceptance of such aid is the prorgative of the state in question, such a "policy reform" package will likely be refused by the group or groups in power, and can be castigated as an attempt to interfere in domestic affairs or tc infringe upon national sovereignity.

Providing a government with the aid to pursue its own intentions more effectively need not conduce to either material advance or the wellbeing of the local population. This has been demonstrated on more than one occaision in post-colonial Africa. We may recall that Tanzania's ill-fated ujamaa program, previously mentioned, which involvad the forcible collectivization of so much of the country's rural population, and did so much to shatter the country's agricultural economy, was financed in large part by overseas development aid, particularly aid from the World Bank. Surveying the results in Tanzania, W.David Hopper, a former Vice President of the Bank, rote that "as long as food aid...is supplied to Tanzania by the industrial countries, the social experiment (i.e., ujamaa) will continue". One may wonder not only about the continuance of ujamaa, but about its initiation: would a program so manifestly destructive in its economic consequence have been undertaken in the first place without assured sources of overseas aid from which to continue to finance the operation of the state?

Not all sub-Saharan governments, of course, have demonstrated the contempt for their subjects and indifference to economic result that have been articulated so clearly over the years by the rulers of Tanzania. At the same time, the constellation of intentions represented in the many governments of the sub-Sahara can, in total, hardly be described as an auspicous point of departure. Liberty, integrity of person, security of property, rule of law --these exist in at most a handful of place in the sub-Sahara. What should we expect from programs that will result in a general empowering of these governments to pursue more effectively their ambitions and objectives?

What sorts of assurances may a donor obtain that the program of "policy reform" for which it has paid will be followed, either in letter or in spirit? An honest answer to this question may be supplied without much qualification: short of excercizing direct control over the internal workings of the recipient state--practically none. Public finance is the art of making resources fungible. Funds obtained for one purpose may be used for another; as a practical matter it is often difficult to determine where specific funds were actually spent, or to what purpose. Even when funds are tied to a specific project for which they were expressly raised, and effectively demarcated to that project, the availability of these funds can free other monies, to be spent at the discretion of the government in question. Even with aid that is tied to a given project, the intentions and capabilities of the recipient government are of enormous importance. "Project aid", however, is supposed to result in a tangible product--the project itself. A given project--a road, a dam, an agricultural research station--may be shown to have been a failure. By contrast, no program of "policy reform" can ever be demonstrated to have failed. If original targets and objectives of "reform" are not achieved, it may always be argued that unforeseeable events were to blame: that the project itself was a success, and that things would have been even worse without it.

USAID's record of achieving the initial objectives of its "policy reform" programs has to date been extremely unpromising. (Even USAID's record of describing with accuracy the objectives and current results of its "policy reform" initiatives leaves much to be desired.) There may be a tendency to ascribe AID's "policy reform" failures to personnel problems or institutional priorities. After all, it is no secret that, since at least the early 1970s, USAID has been explicitly concerned ever more withrelief work and social welfare programs, ever less with the particulars of fostering conditions conducive to "self sustaining economic development". This is a trend which has been actively and deliberately encouraged by the Congress. Yet the fact is that development agencies and public financial institutions with considerably greater capacility for policy analysis and "policy dialogue"--and considerably less burdensome processes of external supervision--have not fared so much better than AID in their attempts to enforce "policy reform" on the "partners" recieving their aid. The World Bank's "structural adjustment" loans are described as an innovative and successful in many offical releases, but internal performance evaluations paint a rather more complex picture. With the possible exception Turkey, I am not awar of a single instance in which a country awarded "structural adjustment" funds has subsequently been judged more creditworthy, or more attractive to investment, by the international financial community, and in Turkey subsequent events were decisively influenced by a military coup that overturned the government with whichthe "policy reform" program had been negotiated. As for the International Monetary Fund,a number of studies by European and American economists have suggested that recipients of its "short term" assistance are quite likely to be return candidates for further "temporary" aid. While the IMF has a reputation for imposing strict conditions with its loans, results suggest that its actual ability to enforce "conditionality" may be limited. Whereas, for example, IMF loans are typically extended to help local governments achieve "stabilization" of their economies, a perusal of the record suggests that IMF loans have frequently been followed by prolonged period of rapid or even accellerating domestic inflation--precisely the opposite of what "stabilization" is commonly understood to entail.

There is at least one avenue of "policy reform" that proponents of "policy reform" aid programs often neglect to consider. It is called the international marketplace. The international marketplace has at its disposal considerable amount of lendable capital. It is also quite flexible, being capable of extending capital to borrowing countries through quite a variety of different "programs". The international marketplace is constantly testing and assessing the "policy environment" of the countries of Asia, Africa, and Latin America. If the local environment is deemed to be auspicous, funds will be available, both to private concerns and to local governments. If the "policy environment" is deemed to be inauspcious, new funds will no longer be available, or will be available only at a premium-- or will be available only after the international marketplace is satisfied that effective corrective steps are actually in progress (not simply promised). In the international marketplace, unlike the development agencies, the "review process" takes place daily. It occurs spontaneously, and relies on an information system more complex and far-reaching than any a development official might attempt deliberatively to construct. This version of "conditionality", moreover, often does cut the supply of international funds to governments when these governments violate the letter or the spirit of their international agreements and obligations. This avenue of "policy reform", it may be noted, does not presuppose ongoing subsidization by Western taxpayers.

No one who is familiar with marketplaces should try to suggest that these operate with perfect efficiency. If they did, there could be no role for, or purpose to, entrepreneurship. There is no reason, moreover, to expect the price the market process determines for any specific good at any given point in time to represent, in some deeper philosophical sense, the "true" or "just" or "lasting" value of the product in question. And insofar as they articulate human choices, markets may also articulate errors in judgement. It is one thing to recognize these realities, and quite another to improve upon them.

Proponents of"policy reform"programs must be prepared to prove a case. They must be able to argue that that their interventions will be more conducive to "policy reform" than would be doing nothing at all--that is to say, than simply allowing the international marketplace to enforce "policy refrom" on states which would, without development aid, be obliged to establish creditworthiness by actions and conduct consonant with attracting capital. Moreover, proponents of "policy reform" aid programs should be prepared to argue that the prospective reforms they propose to purchase from local governments would constitute so dramatic an improvement over the adjustments that might be expected from the ordinary workings of the international marketplace as to justify the taxation of Western populations to underwrite the envisioned program expenditure.

It is possible to imagine circumstances in which such arguements might be plausibly advanced. While such circumstances seem to me unlikely to obtain generally, or even broadly, in low income countries at the present time, it is nevertheless possibie to imagine specific circumstances where they might obtain.What is perhaps most noteoworthy, and distressing, about the institutional advocates of "policy reform" aid is that they have not attempted in any rigorous fashion even to argue the case that would justify their new aid initiatives. Despite the billions of dollars spent already in the 1980s on "policy reform " aid, and the billions more promised and requested, there has to date been ominously little attention accorded even to the need to provide these programs with intellectual credibility--much less to provide them with credibility in fact.

Concluding Remarks

In criticizing specific initiatives being implemented in, or considered for, sub-Saharan Africa, I do not mean to be understood as suggesting that there is little to be done to improve the economic prospects for the region. Exactly the opposite is true.

If sub-Saharan states wished to quicken the pace of material advance within their borders, they might pay greater attention to promoting civil order and the rule of law. They might desist from those agricultural and social policies that quite predictably cause nutritional hardship or in extreme cases even famine among rural populations. They might manage national finances so as to create stable currencies, and reduce restrictions on foreign trade, so that their subjects might better participate in the world economy. None of these suggestions would require external aid.

Western "development" aid may today be compromising economic progress in parts of sub-Saharan Africa. Overseas development assistance, after all, provides a very substantial fraction of their operating budgets to the current regimes of the sub-Sahara. The World Bank's latest World Development Report gives breakdowns of central government expenditures for sixteen sub-Saharan states, excluding South Africa. (That the Bank can provide such figures for less than half of the sub-Saharan states in its statistical appendix is revealing in itself--perhaps especially in what it portends for proposed "policy reform" programs.) In 1983, overseas development assistance equalled three quarters of Uganda's central government budget, and four fifths of Ghana's. For the sixteen countries as a group, the unweighted average of ODA to central government expenditure was just below fifty percent.

Western aid,including American aid, directly underwrites current policies and practices in the sub-Sahara. Indeed, it may make possible some of the more injurious policies, which would be impossible to finance without external help.

If we are truly interested in helping impoverished and endangered populations in the sub-Sahara, we must face this awful reality first. The fact is that our current development aid policies make the United States government and the American people directly complicitous with African rulers in the results they inflict upon their subjects. No change in rationales for aid, no new names for programs, no optimistic pronouncements about policy changes in the coming years can alter this fact.

[The Wall Street Journal, Wednesday, Sept. 17, 1987]

HELPING HAND WON'T SOLVE AFRICA'S PROBLEMS

By Nick Eberstadt

Advocates of development assistance for sub-Saharan Africa now have a new rationale for aid to the region: the need to build "human capital." By financing programs in health, nutrition, family planning and education, they now argue, foreign aid [illegible] enhance human productivity, and [illegible] promote economic development. In the abstract, this argument may seem unobjectionable. In its proper context—that is, in transferring Western resources to the present governments of sub-Saharan Africa—there is good reason to question whether a human-capital initiative can be generally effective.

Returns from human capital, like returns from physical capital, depend critically on the environment in which these resources are being put to use. The policies and practices of the overwhelming majority of regimes in sub-Saharan Africa have the predictable effect of radically lowering any anticipated returns from an aid-driven human-capital initiative—turning such funds into unproductive social-welfare spending, or worse.

Easier for Westerners

The peoples of sub-Saharan Africa live under governments that, with few exceptions, may fairly be described as lawless. The rights to private property, personal liberty, due process, and even to life itself, are routinely ignored or violated by the overwhelming majority of sub-Saharan states. Westerners have long complained about the "business environment" in post-colonial Africa: the obligatory graft, the [illegible] and army harassment, the arbitrary [illegible]ctions, the constant threat of summary expropriation. But such rule is much easier for Westerners—privileged people with foreign passports—than for ordinary Africans. In Malawi, sometimes cited for its comparatively enlightened policies, a device known as the Forfeiture Act permits the government to strip any person suspected of "economic crimes" of all assets and personal property—permanently—without judicial review or any avenues for appeal. In Mauritania, Western agencies have guessed that as many as 100,000 people in a population of less than two million may currently be living in slavery. In several countries, government-instigated atrocities, often tribally motivated, have resulted in hundreds of thousands of civilian deaths. Whatever else may be said of such practices, they do not enhance the productivity of human capital.

If initiatives in health and nutrition were to be effective, a government would ordinarily want demographic and social data for the population in question. Even crude indicators, like mortality rates, can help in identifying the groups in greatest need, and in evaluating the effectiveness of programs undertaken on their behalf. It is perhaps significant that the post-colonial states of sub-Saharan Africa have not developed statistical systems capable of providing even such comparatively rudimentary data. The United Nations Demographic Yearbook lists seven African states with essentially "complete" death registration systems. Six of these are islands, "African" in the sense that they are nearer to Africa than to any other large land mass. None are in the sub-Sahara. Indeed, in the mid 1970s, a decade and more after independence, many sub-Saharan countries had yet to conduct their first national censuses. These governments found no compelling reason to count their citizens until the U.N. provided funds for this express purpose.

Western aid directly underwrites current policies; indeed, it may make possible some of the more injurious ones, which couldn't be financed without external help.

Western aid agencies—especially the World Bank and the U.S. Agency for International Development—are eager to provide family-planning funds to sub-Saharan Africa in the hope that this may help to lower fertility in the region. In most of these countries, however, local peoples tend to identify *infertility* as their principal population-related concern. In much of Africa the fate of a barren woman is not an enviable one. Even among elites, the preference for large families remains strong.

Many poor Africans seem to fear that family-planning programs will be used to enforce involuntary sterility upon them. These fears are not assuaged by some of the extremist pronouncements on population from the World Bank and AID, by the manifest contempt of local governments for popular concerns, and by the frequency with which the state has been used as a tool of war against tribes not in power.

Last March, the Washington Post recounted a story of a primary school in rural Kenya from which hundreds of children ran screaming, some scrambling through windows, upon the approach of an unfamiliar car: It was thought to contain population workers who would inject them with nonreversible contraceptives. The previous year starving Kenyans in drought-afflicted areas were reported to have refused relief shipments of U.S. corn on the rumor that the corn had been laced with sterilants. Kenya, of course, is a country in which civil liberties are relatively well secured, and government policies relatively enlightened. It is precisely for those reasons that such stories of deep-seated distrust and fear are noteworthy.

In and of itself, mass literacy is arguably a desirable objective. One should not, however, expect even rapid advances in literacy to bring economic transformation in sub-Saharan Africa under present circumstances. Even if skills and talents are augmented, they will not be put to productive use in the face of overbearing risks and penalties. (The plight of Tanzania attests to this: Despite the purported success of its mass literacy campaigns, the country remains mired in poverty, its agriculture shattered by forced collectivization and its commerce deliberately crippled by a socialist police state.) Moreover, the correspondence between increased expenditures on education and increased literacy cannot be taken for granted.

Statistics from the World Bank's latest World Development Report illustrate the problem. The report gives breakdowns of central-government expenditures for 18 sub-Saharan countries, excluding South Africa. (That the World Bank apparently can provide such estimates for less than half of the sub-Saharan states in its statistical appendix is revealing in itself.) In the Asian nation of Sri Lanka, where primary education is close to universal, the government spends about $9 per person per year on education. Mali in Africa also devotes about $9 per person per year to education, but its primary-school enrollment ratio is said to be only 24%. In Senegal, where the figure is put at $15 per persons per year, the enrollment ratio is put at 53%. Botswana spends nearly 10 times as much per person on education as Sri Lanka, yet its primary-school enrollment ratio is lower.

This is more than a matter of cost management. Basic strategy is in large part responsible for these results. Throughout sub-Saharan Africa it is college, not grade school, that typically receives priority. Subsidies for the intelligentsia are large. In Sri Lanka, as in most of the West, a year of college costs about five times as much as a year of primary school. In Zaire, by contrast, the government spends about 40 times as much for a year of college as a year of elementary school. In Nigeria, the ratio is over 40 to 1; in Uganda, it is over 100 to 1; in Malawi, it is over 200 to 1. In Guinea, where scarcely a third of the country's children are thought to be in grade school, the government was recently spending 30% more on college than on primary education. Under such circumstances, it would not seem that the primary constraint on literacy was a simple lack of resources.

There is talk today of "policy reform" in sub-Saharan Africa. According to some spokesmen for Western aid agencies, the document produced on June 1 in the special U.N. General Assembly session on the economic crisis in Africa is testimony to a new attitude on the part of sub-Saharan governments. According to M. Peter McPherson, administrator of AID, "The Africans now realize that fundamentally they have to do some things differently." Yet the very day this U.N. document was presented to the world media, Kenyan President Daniel arap Moi, in a speech to the nation, "pledged," in the words of the New York Times, "to revive flagging attempts to increase Kenyan ownership of private businesses, which are mainly in the hands of Europeans and Asians." These "Europeans" and "Asians" are, in fact, Kenyan citizens, albeit immigrants and ethnic minorities.

Time and again in post-colonial Africa, governments have displaced merchants and businessmen on the basis of their race, only to lower local output, raise costs, and reduce returns on all forms of capital.

The Rule of Law

If sub-Saharan states wished to augment human capital, they might begin by attempting to promote civil order and the rule of law—including security of property and person. They might desist from those agricultural and social policies that quite predictably cause nutritional hardship or in extreme cases famine among rural populations. They might manage national finances so as to create stable currencies and reduce restrictions on foreign trade so that their common people might better participate in, and learn from, the greatest educational system of all: the world economy. None of these suggestions would require external aid.

Western aid may today be compromising economic progress in Africa, and retarding its development of human capital. Overseas development assistance (ODA), after all, provides a very substantial fraction of the operating budgets of all governments of sub-Saharan Africa. In 1983 ODA accounted for two-fifths of Liberia's central-government budget, for three-quarters of Uganda's, and for four-fifths of Ghana's. Western aid directly underwrites current policies and practices. Indeed, it may actually make possible some of the more injurious policies, which would be impossible to finance without external help.

The public in the U.S. and other Western countries must face this awful reality honestly and squarely. The West is, at present, directly complicitous with Africa's rulers in the results they inflict upon their subjects. No change in rationales for aid, no new names for programs, no optimistic pronouncements about policy changes in the near future will alter this fact.

PREPARED STATEMENT OF WILLIAM JOSEPHSON

Thank you for inviting us to appear before you today in connection with authorizing legislation for the Peace Corps. Several years have passed since representatives of our organizations last testified before you. We have a statement for the record together with some exhibits for the record which are designed to bring the Committee up-to-date on the activities of the former Peace Corps volunteer and staff community in the United States. We will cover the highlights of that statement in our testimony, and of course we will be glad to answer any questions.

1. The Peace Corps Institute. The Peace Corps Institute is a District of Columbia, non-profit corporation. The impetus for its creation came from former Director of the Peace Corps, Richard F. Celeste, a former Peace Corps staff member who, as you know, is now Governor of the State of Ohio. The Institute's current directors include, in addition to Governor Celeste, former Peace Corps Directors Sargent Shriver and Kevin O'Donnell, the Chief Executive Officer of Sifco Industries in Cleveland, Ohio; former Peace Corps volunteer and United States Senator Paul Tsongas; former Peace Corps volunteers Susan Silk, the Executive Director of the Columbia Foundation in San Francisco, Roger Landrum, Co-Director of Youth Service America and head of the District of Columbia former volunteers organization, and Tom Scanlon, head of Benchmarks; and United States Representative from Iowa Jim Leach.

The Institute was the moving force behind the 1981 Peace Corps 20th Anniversary Conference of Former Peace Corps Volunteers and Staff, co-sponsored by the Peace Corps and the National Council of Returned Peace Corps volunteers. It was the first national conference of former volunteers and staff to have been held in many years. In 1982, the Institute published a Directory of Former Peace Corps Volunteers and Staff containing some 40,000 current names, addresses and other information about the then approximately 80,000 former volunteers and staff. Complimentary copies of that Directory were given at the time of publication to members of this Committee, including the Chair, and of The Congress who had long been supporters of the Peace Corps. The Institute has also tested a publication on development and other third-world issues, a project which has now been taken up by the National Council of Returned Peace Corps Volunteers. Together with the National Council, The Institute was a sponsor of the extraordinarily successful Peace Corps 25th Anniversary Conference of Former Peace Corps Volunteers and Staff which brought almost 5,000 people to Washington in September 1986.

2. National Council. The National Council of Returned Peace Corps Volunteers is a North Carolina, non-profit corporation. The National Council is a membership organization with plans to increase its membership over the next few

years from 2,700 to 10,000 former volunteers. The National Council is also affiliated with 29 former volunteer organizations throughout the United States with memberships totaling several thousand.

The National Council recently reorganized its Board of Directors and elected Ms. Katy Hansen of Iowa as its President. It has moved its headquarters to Washington and for the first time employed a full-time Executive Director, Mr. E. Timothy Carroll. Ms. Hansen was a former volunteer in Nigeria from 1966 to 1968 and most recently ran for county supervisor in Sioux County, Iowa. Mr. Carroll was a volunteer in Nigeria from 1963 to 1965. Previously he was President of Eye Care, Inc., a Washington, D.C. private voluntary organization providing eye care to the people of Haiti.

The National Council has an extremely successful development education program which is funded with Biden-Pell funds under the Foreign Assistance Act of 1961, as amended. As mentioned before, it plans a sophisticated publication on development and other third-world issues, the editor of which will be Julianna FreeHand, a former volunteer from The Gambia.

The local former volunteer organizations which are affiliated with the National Council are also very programmatic. The New York City organization has a high school awareness program. High school students write essays on third-world countries, and the writers of the best of them receive as prizes trips to those countries sponsored by former Peace Corps volunteers. As you would expect, former Peace Corps volunteer groups are concerned with peace. Members of the Committee may have seen former volunteer publications on Central America or be aware of Ploughshares, an outgrowth of the former Peace Corps volunteer organization in Seattle. Ploughshares is engaged in people-to-people exchange programs with localities and citizens in Russia. Ploughshares is headed by Fred Nolan, another former volunteer.

A major impetus for new programs has been the 25th Anniversary Conference of Former Peace Corps Volunteers. As a report on that Conference, we would like to submit for the record the Winter 1986-87 edition of the National Council of Returned Peace Corps Volunteers newsletter, RPCVoice.

As a result of that Conference, The Peace Corps Institute and the National Council are planning to pool their data bases and jointly maintain a data base which, when complete, should have approximately 60,000 of the approximately 120,000 current names, addresses and other information about former Peace Corps volunteers and staff. From that point it should be relatively easy to acquire data about the vast majority of former volunteers.

3. Third Purpose Programs. As its membership and funding increases, the National Council plans to increase its Peace Corps Act Third Purpose Activities, both in cooperation with the Peace Corps and the Agency for International Development and on its own. As you know, Section 2(a) of the Peace Corps Act makes the purpose of the Peace Corps to promote world peace and friendship by (a) helping the peoples of interested countries and areas meet their needs for trained manpower and (b) promoting a better understanding of the American people on the part of the people served. These first two purposes are largely carried out through the service of Peace Corps volunteers and staff overseas. The third purpose -- to help promote a better understanding of other peoples on the part of the American people -- has largely been carried out through the independent efforts of former volunteers in the United States after their Peace Corps service.

Through the programs of the National Council we intend to do far more in future years than has been done in the past to promote the third purpose in an organized and systematic way. We have already mentioned plans to pool our data bases and to develop an important publication. We would like to participate in the support of the many thousands of peoples from other countries who come to the United States each year under the visitor, foreign student and participant training programs of the United States Information Agency, Department of State and Agency for International Development. We find it almost incredible that former Peace Corps volunteers and staff are not systematically involved in United States Government-financed support programs for these people from overseas. We cannot think of a better way to assist peoples from, for example, Africa who are studying or training in the United States than to have former Peace Corps volunteers and staff, who served in their African countries and who live in the communities to which visitors, students or trainees travel, meet them and introduce them to the United States. Doing so will also promote the second purpose of the Peace Corps Act.

We understand that this Committee is considering legislation or legislative history which might call upon the Department of State, the United States Information Agency and the Agency for International Development, as well as the Peace Corps, to make clear their authority to make and the desirability of making greater use of former Peace Corps volunteers and staff in the programs they conduct in the United States. We would strongly support such legislation or legislative history and would be glad to work with the Committee's staff in its development.

A small, perhaps $1 million, third purpose appropriation to the Peace Corps for a competition among former volunteer and other private voluntary organizations to develop third purpose programs would be an imaginative initiative.

These third purpose efforts would also promote other policy objectives of the United States. For example, the Committee will recall the 1983 Report to the Secretary of State of the Commission on Security and Economic Assistance, the so-called Carlucci Commission, which among other things recommended the creation of a Citizens Network to support the foreign assistance program. We want to submit for the record the pertinent excerpt from that report. When I first visited with members of that Commission and its staff, it was clear to me that they had not even considered as a potential resource the former Peace Corps volunteers and staff in the United States. Efforts we have made to follow up on the implementation of that recommendation have not so far been fruitful. For example, our efforts to interest the Citizens Network for Economic and Security Assistance headed by Lawrence S. Eagleburger have not produced a response. After the 25th Anniversary Conference an Agency for International Development staff person contacted me, and I supplied information. To date there has been no response.

We think there are other things the Committee could do in this connection. In the main, our relationships with the Peace Corps have been cooperative and productive, but the Peace Corps seems to feel somewhat inhibited in its cooperation with us in pooling and maintaining the former volunteer and staff data base. We do not have a clear understanding of why this is so. Our data base was first created as a result of the Peace Corps' initiative in giving to The Peace Corps Institute in 1980 the remnants of its then ill-maintained data base. From this data the Institute, without a penny of public funds, built the 40,000 former volunteer and staff data base and in 1982 published the Directory previously mentioned. If legislation or legislative history could encourage or enable the Peace Corps to cooperate fully with the National Council and The Peace Corps Institute in the creation and maintenance of a merged data base available to all three organizations and only then subject to information and privacy acts restrictions, we would again be prepared to work on it with the Committee's staff.

4. Role of The Congress in Creating and Maintaining the Peace Corps. We are very mindful of the creativity and boldness The Congress has consistently demonstrated in the creation and nurturing of the Peace Corps.

A congressional initiative in 1959, the so-called Point IV Youth Corps Study, led directly to the formation of the Peace Corps.

Contrary to the recommendations even of President Kennedy, The Congress insured that the Peace Corps would be created as an agency independent of the foreign aid program.

In 1963, largely on the initiative of then Senators Humphrey, Keating and

Fulbright. The Congress enacted what is now section 638 of the Foreign Assistance Act of of 1961, as amended, which makes it clear that no provision of that Act shall be construed to prohibit assistance to any country pursuant to the Peace Corps, Fulbright-Hayes or Export-Import Bank Acts.

Over the initial opposition of the Executive Branch, The Congress supported and has continued to protect the Peace Corps' unique In, Up and Out staff tenure policy.

Throughout the '70's and into the '80's The Congress protected and even increased the Peace Corps' authorizations and appropriations.

In 1981 The Congress acted to insure the independence of the Peace Corps from any other United States department or agency.

In connection with the enactment of the Intelligence Identities Protection Act of 1982, The Congress carefully confirmed the United States policy of "maintaining the total separation of the Peace Corps from intelligence activities."

Only last year the Congress enacted on its own initative three provisions of great potential importance to the Peace Corps. It made a 10,000 volunteer Peace Corps a national policy goal and purpose. It created a broad-based, non-partisan Advisory Council to the Peace Corps to be composed in part of significant numbers of former volunteers and staff. It extended to the Peace Corps staff the prohibition against the use of any political test which has always applied to the enrollment of Peace Corps volunteers.

Unfortunately, the Executive Branch does not seem to have moved with alacrity to implement either the 10,000 volunteer goal provision or the Advisory Council provision, both of which The Peace Corps Institute and the National Council of Returned Peace Corps Volunteers supported and continue to support.

We hope the Committee will provide the necessary authorization to move toward meeting the 10,000 volunteer goal this year. We applaud the initiative taken on March 16, 1987 by the Chair and Senators Cranston, DeConcini, Dodd, Leahy and Rockefeller in urging the Chair of the Subcommittee on Foreign Relations of the Committee on Appropriations, the senior Senator from Hawaii, Senator Inouye, to support the 10,000 volunteer goal. Peace Corps Director Loret Miller Ruppe consistently tells us that host countries and American Ambassadors want more volunteers and that many more Americans volunteer than current appropriations can support.

If the President nominates persons to serve as members of the Peace Corps National Advisory Council, we hope this Committee will continue to be vigilant, as it was last year, during the confirmation process to insure that the persons nominated will meet the criteria set forth in the Peace Corps Act.

5. Program Initiatives. The Congress' bold and creative support of the Peace Corps, as recounted in the foregoing section of this statement, carried on consistently over the entire twenty-five year life of the Peace Corps, is needed even more today. The programmatic boldness that characterized the President, The Congress and the Director who started the Peace Corps in 1961 ought to characterize the Peace Corps today. Then the challenge was to create the Peace Corps. Now the challenge is to make the Peace Corps creative.

A less supportive commentator than myself might speak of the disappointments of the Peace Corps. Under Presidents Nixon, Ford, Carter and Reagan the Peace Corps shrank from the 15,000 a year who served at its late 1960's peak to far less than that and has only recently recovered under the leadership of The Congress and of Director Loret Miller Ruppe to around 5,000 volunteers in service at any one time. Applications dropped from more than 40,000 in the mid-1960's to around 15,000 a year now, and the Peace Corps offers those who apply only somewhat more than 3,000 training places a year. In nominal dollars, the Peace Corps' yearly appropriation is about what it was in 1965. In constant dollars it has fallen by more than 50 percent. The Peace Corps used to send volunteers to every country in South America except Argentina. Today there are volunteers only in Ecuador and Paraguay. The 1984 Report of The National Bipartisan Commission on Central America "urge[d] a dramatic expansion of [Peace Corps] volunteers in the region from the current 600 to a figure five or six times as great, largely in education." Yet today only 1621 volunteers serve in Central America, half of what the Commission recommended. Bill Moyers told me on his return from a trip to Central America recently that 50,000 Peace Corps volunteers could do more for Central America and therefore for the United States there than all the other efforts of the United States in that region.

On August 28, 1986 I received for comment a draft of a Peace Corps report which had some interesting ideas in it, ideas for both shorter and longer term Peace Corps volunteer service, improved staff training, enhancing the organizational and educational efforts of the returned volunteer organizations along the lines discussed earlier in our testimony, expanding the number of minorities and older Americans in Peace Corps volunteer and staff ranks, country-by-country evaluations of Agency for International Development and Peace Corps programs and closer articulation between Peace Corps service and higher educational institutions in the United States, a theme which Father Theodore Hesburgh, President of Notre Dame

University, has also taken up in recent speeches, a copy of one of which we wish to submit for the record.

The Committee on Future Directions recommended among other things greater mutuality in Peace Corps service -- a larger role for host-country nationals, volunteer and staff exchanges with host countries, reconnection of the Peace Corps to Peace Corps-type and domestic service programs in other countries under the now dormant Title III of the Peace Corps Act, and the use of every opportunity open to the Peace Corps to develop two-way service.

Commendable as many of these recommendations are, they do not have the programmatic boldness that characterized the creation and early growth of the Peace Corps.

The Peace Corps has begun a program to help Africa in its efforts to develop its agricultural resources. The March 14, 1987 Economist reports that the Noble Peace Prize-winning American, Norman Borlaug, now 73, has begun to try in Africa the green revolution that worked in Asia and China. A copy of the story is submitted for the record. Peace Corps volunteers and Dr. Borlaug should join forces to help African farmers take advantage of the green revolution.

Earlier I mentioned the importance of reconnecting the Peace Corps with its sister programs in developed countries and domestic service programs in third-world countries. According to a November 17, 1985 story in Die Zeit, France and Germany have agreed on a European program for voluntary service overseas to start in Africa in the drought-devastated Sahel. The United States Peace Corps also should be participating in multilateral efforts of this kind.

Overseas we continue to be faced with enormous problems -- crises in Central America and the Middle East, drugs, terrorism, international human rights, the AIDS epidemic. If I were the Director of the Peace Corps today I would be thinking about what the Peace Corps could do to contribute to the resolution of these issues.

I would be thinking about what the Peace Corps could do to help end apartheid by, for example, developing programs with the Southern Africa Development Coordination Conference in agriculture, education, telecommunications, transportation, tourism and trade, all designed to reduce dependence on South Africa.

There is a particular need for these thoughts in light of the general decline of foreign assistance and its concentration in a few countries. That assistance has been called bilateral, but in fact has largely been unilateral, from the United States to the recipient country, our ideas about what the recipient country should do.

The Peace Corps is a genuinely bilateral program. Ordinary citizens working together at the grassroots level carry out tasks they agree need to be done.

Where the Peace Corps might not be able to go itself, to China, Lebanon, Mexico or Nicaragua, it might go as part of a multilateral, international volunteer effort.

We hope the Congress will stimulate and support the consideration, exploration and implementation of efforts such as these by the Executive Branch. If the Committee or the Peace Corps would like us to develop concept papers for any of these program ideas, we would be happy to do so.

Finally, we hope that the Committee would look with favor on greater informal Peace Corps participation in state, county, local, college, and high school national voluntary service programs springing up throughout the United States. The Peace Corps exemplifies how large numbers of Americans can voluntarily give their time to the service of others. The Peace Corps has a great deal of experience that would be valuable to these small scale voluntary service programs. We hope the Peace Corps and its Director could be encouraged informally to help and otherwise participate in these efforts.

Thank you very much.

(The paper RPC Voice, Volume 7, No. 2, Winter, 1986-87, National Council of Returned Peace Corps Volunteers, may be found in the Committee's files.)

THE NEW YORK TIMES, TUESDAY, JANUARY 27, 1987

ABOUT EDUCATION

A Peace Training Corps for College

By FRED M. HECHINGER

THE REV. THEODORE M. HESBURGH has called for the creation of a nonmilitary equivalent of the Reserve Officer Training Corps on the nation's college campuses. The program would give outstanding high school graduates a choice of becoming leaders, not in the military, but in the cause of peace and international understanding.

Father Hesburgh, 69 years old, will retire in May after 35 years as president of the University of Notre Dame. As one of the nation's most prominent academic and religious leaders he has been deeply involved in civil rights, academic freedom, American relations with third world countries and, in recent years, what he considers the overriding issue: peace.

In a recent interview, Father Hesburgh reacted with anger to what he sees as complacency "about the world's precarious balance between survival and extinction." He embraced efforts to prevent a nuclear disaster and organized meetings of the world's religious and scientific leaders to work toward an end of the nuclear threat.

At Notre Dame, he created a new Institute for Peace Studies and the Helen Kellogg Institute for International Studies, both concerned with human rights, justice and democracy as the "underpinnings of peace." He has invited a group of nine graduate students from the Soviet Union, China, England, France and Japan to spend a year at Notre Dame, beginning in June, studying and discussing crucial peace issues, such as human rights, justice and the development of democracy, in the hope that they will come up with a unanimous statement intended to speak to the world's young people.

Parallels With R.O.T.C.

This concern for peace is the basis for Father Hesburgh's call for a nonmilitary counterpart to R.O.T.C.

"It excites me," he said, "because international concerns have slipped in higher education. The big problem is not that students are self-centered but that they are too provincial."

Like R.O.T.C., the program would provide full four-year college scholarships in return for a pledge to serve for four years. The program would require graduates to serve as leaders in the Peace Corps and similar American aid organizations. The selection of candidates would be as rigorous as that for the R.O.T.C. scholarships.

During the undergraduate years, the peace training program's academic requirements would take up the same amount of time as is required by the R.O.T.C. The participants would study the language, culture and social and political situation of the area where they are to serve. They would also engage in American studies to enable them to represent the United States. They would study economic and agricultural development, paramedical services and other specialties needed in developing countries.

In the summer, when R.O.T.C. members serve on ships, airfields or in army camps, the peace program's graduates would work with the poor in urban and rural areas in the United States and abroad.

After graduation, those returning from overseas service would get the same benefits of free graduate studies as those returning from military service.

Father Hesburgh points out that the costs of the R.O.T.C. program are borne by the Defense Department. At Notre Dame, where 1,000 students take part in Army, Navy and Air Force R.O.T.C. units, members receive a total of about $5 million in scholarships plus personal subsidies. He believes that part of the peace leadership cost could be built into the Peace Corps budget and the rest into the Federal student aid program.

He says Peace Corps managers like the idea, especially since it would give them greater access to college campuses, where active participation has declined in recent years. He has received similarly positive response from some university presidents.

Father Hesburgh points to the achievements of the 120,000 volunteers who have served in the Peace Corps since President Kennedy created it 25 years ago. "Hundreds of them," he says, "armed with experience of a foreign culture and knowledge of a foreign language, work effectively in the State Department, the Agency for International Development, the Congress, and as governors, as professors, teachers, ambassadors, doctors, lawyers, clergymen."

Yet, he added, the program "faces a precarious existence, a budget going up and down like a yo-yo, and the constant threat of politization or even extinction."

A 'Parallel Choice'

He said he assumed that there were tens of thousands of high school graduates "who would compete for the same educational opportunity to volunteer for four years of service oveseas to the least fortunate of human kind in the Peace Corps." He added: "I am not suggesting a replacement for R.O.T.C. but a parallel choice, another path less traveled by, but no less important for America."

The new emphasis on nonmilitary aid and cooperation would enhance America's image, Father Hesburgh says, in addition to expanding the capacity of the Peace Corps.

"Universities would once again become connected with the Peace Corps," Father Hesburgh says, "and there would be an antidote to American students' provincialism and the colleges' lack of international concerns."

RESPONSES OF WITNESSES TO QUESTIONS ASKED BY SENATOR SARBANES

1. Pakistan's Nuclear Diplomacy

Q. What diplomatic initiatives has Pakistan undertaken with respect to India and the problem of nuclear weapons in the region? Has Pakistan offered to sign the Nuclear Non-Proliferation Treaty? Has Pakistan offered to allow full-scope safeguards? What has Pakistan's position been at the United Nations with respect to nuclear arms on the subcontinent?

A. Pakistan has offered to take far-reaching non-proliferation steps, provided India does likewise. The Pakistani proposals include offers to:

-- adhere to the Non-Proliferation Treaty;

-- accept international safeguards on all of Pakistan's nuclear facilities;

-- establish a South Asian nuclear weapons free zone;

-- make a joint declaration renouncing the acquisition of nuclear weapons; or

-- accept mutual inspections of nuclear facilities.

All of these proposals are conditioned on agreement by India to take parallel action. Pakistan has regularly sponsored a UN General Assembly resolution calling for a South Asian nuclear free zone.

2. Pakistan's Response to India's Nuclear Program

Q. India exploded a nuclear device in 1974. Given India's perception of a threat from mainland China, it is not unlikely that India may be attempting to develop a nuclear weapons capability. Has this potential Indian nuclear program provoked or encouraged Pakistan's nuclear program?

India detonated a nuclear device in 1974. The Indian government has characterized this event as a "peaceful nuclear explosion," and has disclaimed any intention of acquiring nuclear weapons. There is no evidence that India has done so. Nonetheless, India's demonstrated nuclear explosives capability and its extensive unsafeguarded nuclear program provide a continuing incentive for Pakistani acquistion of similar capabilities.

3. U.S. Non-Proliferation Policy

Q. Should India face the same sanctions as Pakistan in order to restrain its own active nuclear program? Do you believe that the Symington language should also apply to India?

The sanctions imposed by the Symington amendment would in principle be equally applicable to India and Pakistan under current U.S. law. The Symington amendment is not specific to Pakistan; it imposes a cut-off of certain U.S. assistance to any country that delivers or receives uranium enrichment equipment, materials, or technology from any other country. (There are certain exceptions which would not apply to either India or Pakistan.) The U.S. determined in 1979 that Pakistan had engaged in activities which triggered the Symington amendment sanctions; subsequent U.S. security and economic assistance to Pakistan has therefore required a waiver of those sanctions. We have not reached such a conclusion about India, and therefore the question of imposition of Symington amendment sanctions on India has not arisen.

AWACS or Hawkeye

Q. Which system do you believe is more appropriate for Pakistan's security needs, the AWACS (E-3A) system or the Hawkeye (E-2C) system?

A. The Government of Pakistan, consulting closely with the United States Government, has been engaged in a careful study of air defense systems to counter increasingly aggressive Soviet/Afghan air incursions from across the Afghan border. An airborne early warning (AEW) system would greatly enhance Pakistan's ability to counter attacks, especially in the mountainous northern portion of the border where ground-based radar systems are not effective. After considering various alternatives, the study has been narrowed down to two systems, AWACS E3-A and Hawkeye E2-C. The AWACS is clearly the more capable system, but its higher cost, longer delivery time, and greater technical complexity are disadvantages. The Government of Pakistan has not yet made a final decision on which system to request.

Q. How do you compare these two airborne systems in terms of capability?

A. The attached sheet compares the two systems. Estimated costs may vary considerably depending on the configuration of the system purchased and numbers of planes sold to other users.

E2C-E3A COMPARISON

	E-3A	E-2C
MAXIMUM MISSION ALTITUDE	35,000 ft with improved engines	30,000 ft with improved engines
ONE ENGINE OUT SUSTAINED ALTITUDE CAPABILITY	27,000+ ft	18-20,000 ft
UNREFUELED ENDURANCE	11 hrs	6 hrs
CONTROL CONSOLES	9	3
CREW SIZE	13 + 4 flight crew	3 + 2 flight crew
CONTROL RADIOS		
-UHF	14	4
-VHF	4	-
-HF	2	2
AVERAGE LOW ALTITUDE (500 FT) FIGHTER SIZE TARGET DETECTION RANGE	200 NM	180 NM
BASIC FLEET SIZE Utilization rRate of 565 hrs er A/C per monnth	3	4
ESTIMATED UNIT FLYAWAY COST PER AIRCRAFT (FY87)	$190 million	$50 million
ESTIMATED TOTAL PROGRAM COST (FY-87)	$872 million	$458 million
FIRST DELIVERY AFTER FIRM ORDER	37 months	30 months
CRUISE SPEED	360-420 mph	260 mph

Q. Could Pakistan obtain financial assistance from third countries in order to pay for such a system?

A. Pakistan has been reported in the past to have received supplementary financial assistance from other Islamic countries, to bolster humanitarian assistance to Afghan refugees and as support for Pakistan's firm and principled stand in opposition to Soviet aggression against a fellow Islamic country -- Afghanistan. However, the future availability of such assistance may be adversely affected by the drop in oil prices of the past two years.

Refugees and Internal Unrest

Q. How many Afghan refugees are in Pakistan?

A. The Government of Pakistan estimates that there are approximately 2.9 million Afghan refugees in 300 camps in Pakistan. Refugees are not forced to remain in the camps. As they are free to move around the country (and there is some movement back and forth across the Pak-Afghan border as well) a more exact count is not possible.

Q. Do they remain in areas allocated by the government or do significant numbers find their way to urban areas such as Karachi?

A. We do not have any figures for refugees in Pakistan outside the refugee camps. Our rough estimate is that the number of Afghan refugees outside of camps in Pakistan is probably between one and two hundred thousand, a relatively small number compared to Pakistan's total population or to the total number of refugees in camps. Furthermore, many of the refugees are kin to and virtually indistinguishable from other Pathan tribesmen from Pakistan's Northwest Frontier Province and neighboring parts of Pakistan, all of whom move freely around Pakistan and are commonly found occupied in the transportation and trucking business throughout the country. Karachi, the economic and commercial center of Pakistan, draws people seeking employment from all over Pakistan and has a sizeable Pathan population.

Q. To what extent are such refugees causing unrest or rioting in Karachi?

A. The Afghan refugees themselves are too few in the Karachi area to cause unrest and rioting. The majority of the refugees are ethnic Pathans, the same group which inhabits Pakistan's Northwest Frontier Province and neighboring parts of Baluchistan and Punjab. Pakistani Pathans form a substantial community in Karachi, to which they have migrated in search of scarce jobs and urban resources. This has put them in competition with those already in Karachi as a result of earlier migrations from other Pakistani provinces (Sind, Baluchistan, and Punjab) and from India.

Karachi has grown from some 300,000 inhabitants in 1947 to over 7 million today. Uncontrolled growth has caused problems of crowding, unemployment and inadequate urban amenities, which have exacerbated chronic communal frictions and led to periodic disturbances, such as Karachi suffered in the last few months of 1986 and in early 1987. Following the December riots, the Government of Pakistan moved some 80,000 Afghan refugees from Karachi to UNHCR-supervised refugee camps nearby. This was done to ease crowding and clear unauthorized shanty towns, and was welcomed by many of the refugees caught in riot-torn slums; there is no evidence that the refugees were disproportionally responsible for criminal activities or for the rioting.

Q. What threat to Pakistan's internal security is posed by these substantial numbers of armed refugees?

A. There is no specific internal security threat from the Afghan refugees themselves. Many are older men, plus women and children, and almost all are unarmed. Those few who are armed remain near the Pak/Afghan border, from where they move back across the border to rejoin the resistance forces within Afghanistan. The main internal security threat to Pakistan is from Soviet/DRA instigated terrorism and sabotage.

In the last year or so, the number of Soviet/DRA bombings has risen sharply (in February 1987 alone, terrorist bombs killed 22 and injured 143 in the Northwest Frontier Province). The Soviet/DRA purpose in setting off these bombs is to turn Pakistani public opinion against the refugees. Although because of the bombings there recently have been expressions of concern about the dangers of allowing refugees to mingle with the population, by and large this Soviet/DRA effort has failed;

with the exception of a few leftist politicians, who see criticism of the GOP's Afghan policy and its support for the refugees as a way of building their own political following, the Pakistani public still sympathizes with the Afghan refugee cause, and understands that bombings in and near refugee camps are sabotage attempts instigated by agents of the Kabul regime.

DRUG SMUGGLING FROM AFGHANISTAN

Q: How serious is the problem of drug smuggling from Afghanistan into Pakistan? How much Afghan opium is being smuggled into Pakistan? Is such smuggling causing increased refining of heroin in Pakistan?

A: Afghanistan is the largest source of illicit drugs in the "golden crescent" region of Southwest Asia, producing an estimated 400-500 tons of opium in 1985/86, versus 140-160 tons in Pakistan and 200-400 tons in Iran. Unlike the concerted efforts of the Pakistan Government to control narcotics production, the Soviet/Kabul authorities have taken no serious steps to do so. Some of the Afghan opium production is absorbed domestically; Afghanistan has as many as 100,000 heroin addicts and 250,000 opium users. Additional quantities of opium are exported to Iran.

Much of the Afghan production, however, is refined into heroin in labs on either side of the Afghanistan-Pakistan border and consumed in Pakistan or transited through Pakistan to other countries. These labs are small and highly mobile, and are located mostly in mountainous, semi-autonomous tribal areas. Because of a burgeoning addict population, Pakistan is a net consumer of opium and its derivatives.

Religious tensions

Q. Precisely what is the origin of religious tensions betweem Ahmadis and the Sunni Muslim majority in Pakistan?

A. Religious tensions arise from Ahmadi veneration of their own prophet, their fierce determination to assert that nevertheless they are Muslims (followers of the prophet

Mohammad), and their rejection of minority, non-Muslim status for their sect. This is highly offensive to other Muslims, not only to the Sunnis who form the majority in Pakistan, but to Shia and other Muslims as well. Pakistan is officially an Islamic state, and religion has a cultural, social, national and historic importance in Pakistan difficult for Americans, who live in an officially secular society, to understand. Pakistanis do not accept the separation of church and state; for them the religious disagreement they have with the Ahmadi sect is of fundamental importance, i.e., concerning the Finality of the Prophet.

Q. What is the Ahmadi Sect and how does it differ from mainstream Islam?

A. The Ahmadi sect follows its own prophet, a man who lived in Pakistan in the 19th century. Orthodox Islam considers that to be a true Muslim is to believe in what they call the Finality of the Prophet, i.e., that Mohammad was the last in a line of divinely-inspired prophets sent from God, and that as a basic tenet of the Muslim faith there can be no more prophets after him. For most Muslims, therefore, Ahmadis are heretics and not true Muslims; they see the Ahmadi claim to the contrary as sacrilege.

Human Rights in India

What are the reasons for discontent among the Sikh, Muslim and Christian minorities in India? Are tensions increasing owing to Hindu insensitivity to the aspirations of non-Hindu minorities? What is the status of the so-called "untouchable caste" who number over 100 million?

India, with a population of over 750 million, is approximately 83 percent Hindu, 11 percent Muslim, 2 percent Sikh and a smaller percentage Christian. As a secular state, people are free to worship as they choose and there is no official discrimination based on religion.

Animosity between the Hindu majority and various religious minorities is a long-standing social problem.

Tensions between communities have their roots in history and the differences in language, culture and religious practices. Knowledgeable observers have noted that these historical tensions have been exacerbated by events in recent years. The violence of Sikh extremists in their quest for an independent Sikh homeland has caused a violent backlash by Hindu fundamentalists, creating a climate of mistrust in the traditionally harmonious relations between Hindus and Sikhs. Attempts by the government to bring Muslim personal law into conformity with secular law caused a strong negative reaction in the Muslim community, forcing the government to reaffirm the primacy of Muslim personal law for the community.

The Government of India has attempted to improve the situation of the "untouchables," or "scheduled castes," by a series of laws giving them preference in education, employment and housing. As with religious animosities, however, societal resistance has limited the effectiveness of these government programs. The scheduled castes, classes and tribes are still predominantly the most disadvantaged sector of Indian society.

For more information on human rights issues in India, a copy of the section on India from the 1986 "Country Reports on Human Rights Practices" is attached.

INDIA

India is a secular, democratic republic with a political structure mixing Indian political traditions with aspects of the British parliamentary system. Free elections are held regularly. The last general elections were held on December 24, 1984.

Prime Minister Rajiv Gandhi's Congress (I) Party holds almost 80 percent of the seats in the Lok Sabha, the lower house of India's Parliament. It also controls the upper house (Rajya Sabha) and the legislatures of 11 of the 24 states, and participates in the ruling coalition of one more state. The state government of Mizoram was dissolved in August to make room for an interim coalition government as part of a political settlement designed to end the 20-year old Mizo insurgency. Also, negotiations between center and state politicians led to the end of direct rule from New Delhi and the reinstatement of Farooq Abdullah as Chief Minister of the state of Jammu and Kashmir in November and an agreement to hold elections in the spring of 1987.

The Indian economy is mixed. Banks, air and rail transport, public utilities, and much heavy industry are owned and operated by either the central or state governments. The agricultural sector, manufacture of consumer goods, and services other than financial are largely in private hands. Some rules regulating private economic activity have been relaxed under the present administration.

India is a secular state. Approximately 83 percent of its population are Hindus and 11 percent Muslims with smaller proportions of Jains, Buddhists, Christians, Parsis, Sikhs, and animists.

The most serious human rights concerns in India in 1986 were due to the intercaste violence linked to criminal elements, especially in the state of Bihar; the continuing violence in the Punjab; the emergence of communal and quasi-religious gangs as a political force; and the difficulty of controlling and punishing police mistreatment of arrested suspects.

Social tension in Bihar has given rise to extralegal violence by some landlords with links to criminal elements and politicians, sometimes in league with local police, against disadvantaged classes seeking improved economic and social conditions. Two multiple killings attracted press and public attention. The state government has yet to demonstrate its effectiveness in either controlling the violence or resolving the underlying social tensions.

In the Punjab, the Akali Dal government of Surjit Singh Barnala has stayed in power with the support of the Congress (I) in spite of splits within the Akali Dal. The center and state governments continue to wrestle with the implementation of the Punjab Accord--the agreement reached in 1985 containing provisions for settling the major points of contention between the Sikhs and the Government--which is hampered by the competing demands of various interested parties. Sustained police action under emergency powers brought an apparent reduction in the overall level of political violence in that state, but the murder of 22 bus passengers by Sikh terrorists November 30 heralded an upsurge of violence at the end of the year. G. S. Tohra, a member of the breakaway Akali Dal (B) faction opposed to the Barnala government, was arrested December 2 along with several others on charges of supporting terrorism and advocating violence. On December 5 the Punjab and center governments promulgated new rules under the existing Terrorist and Disruptive Activities (Prevention) Act of 1986, giving them sweeping new powers to combat terrorism, including providing for the death penalty for terrorist acts resulting in the death of the victims, authorizing the tapping or disconnection of the telephones of suspected supporters of terrorist acts, and prohibiting the publication of material derived from terrorist-related sources.

Some political leaders in Punjab claim that police efforts have resulted in the deaths of persons with no clear terrorist connection. This claim is disputed by police authorities. The level of terrorism elsewhere related to the Punjab has declined, although incidents such as the murder of retired Army Chief of Staff General A. S. Vaidya in August and the October 2 attempt to assassinate Prime Minister Rajiv Gandhi continue to plague India.

Major Hindu-Muslim communal violence occurred during the year in Ahmedabad, Allahabad, and Bangalore. Hindu-Sikh clashes in Delhi occurred periodically, including after the murder of several bus passengers in the Punjab in August. From time to time reports continue to appear in the press of murders of untouchables by higher-caste Hindus.

RESPECT FOR HUMAN RIGHTS

Section 1 Respect for the Integrity of the Person, Including Freedom from:

a. Political Killing

The Government does not engage in political killing. On the other hand, political action in India often involves violence. Violence which on the surface seems to be communal or caste-related often has political links.

Intercaste and political violence in the eastern state of Bihar was reported prominently in the press during the year. In April 23 people were killed by police at the village of Arwal. While police claim that a mob was attacking a station, some observers report that the crowd was holding a rally in a schoolyard. In July 10 lower-caste people in Kansara village were killed by upper-caste people, reportedly in retaliation for the murder of a landlord over fishing rights. The police did not begin their investigation until 48 hours after the killings. Some observers note a nexus between certain politicians, criminal gangs, and some landlords in rural areas, using private armies and local police to resist demands for social and economic change. According to several press reports, 77 persons died in clashes with Bihar police over a 12-month period; over 2,100 attacks against lower-caste persons were reported. In turn, lower castes have increasingly joined the activities of radical organizations. The Bihar state government has not been effective in coping with the violence. The state assembly, in which sit some politicians associated in the press with these abuses, denied a motion to debate the Arwal massacre. Two ultra-leftist organizations in August organized a "gherao" (a form of protest) over the Arwal massacre. The state government banned these organizations and detained more than 18,000 of their members throughout the state. The state then banned all private armies in Bihar, but many apparently continue to operate.

In the Punjab, both Hindus and Sikhs continue to be victims of violence. Sikh terrorist organizations appear to be systematically targeting local Hindu political and community leaders. The Government, during the most recent session of Parliament, passed a law allowing the report of the commission charged with investigating the 1984 anti-Sikh riots to remain secret. The Government has not yet begun prosecuting persons believed to have instigated these riots.

In West Bengal, armed state police and supporters of the ruling Communist Party of India (Marxist) and the cadre and supporters of the so-called Gorkha National Liberation Front regularly resort to violent action in connection with the agitation for autonomy for Nepali-speaking areas.

Law and order in the Indian system is primarily the responsibility of the various states. The quality, training, and even-handedness of police vary from state to state, as does the willingness of political authorities to restrain political violence. The decision to institute judicial proceedings in cases of politically related violence also often appears to be heavily political. In any event, judicial processes are lengthy.

b. Disappearance

Some Sikhs claim that the Government has not yet accounted for a small number of people seized during the Golden Temple operations in 1984 and subsequent security operations in the Punjab.

c. Torture and Cruel, Inhuman, or Degrading Treatment or Punishment

Torture and cruel treatment are prohibited by law in India. Indian case law excludes confessions or information extracted through the use of force or torture from being admitted in court. Throughout 1986, however, the press continued to report abuse of prisoners and suspects by police in many Indian states. In December 1985, the disclosure of the blinding of 31 persons awaiting trial in Bihar, which had occurred in 1980 and 1981, led to the suspension of 16 officers. The officer who reported the allegations was allegedly among those suspended. The Indian press continues to cite the police in the southern state of Andhra Pradesh as particularly brutal. In January the death in police custody in Delhi of a young Sikh accused of harboring a suspect involved in a political assassination raised charges by human rights organizations, members of Parliament, and the press that his death resulted from torture. Other reports accused the police of staging fake encounters with terrorists to cover up deaths in police custody and attributing deaths in custody to incorrect causes. In a violent incident outside a Sikh temple in New Delhi December 5, a truck with four occupants, apparently Sikhs, ploughed through police lines and crushed to death three members of the Central Reserve Police Force. Police fired to control the crowd, killing several people, and, in defiance of Delhi police orders, beat to death one of the truck's occupants. While center and state governments do not formally condone police abuses, there have been few official inquiries into such incidents and allegations.

Prisons are crowded, prison conditions are poor, and pretrial detention may last for an extended period of time. Press reports include claims of sexual abuse of female prisoners and use of prisoners by prison officials for domestic labor. The penal system grants different privileges to different categories of prisoners. Political prisoners and foreign nationals are provided less crowded cells, better food, and some amenities such as access to publications. Governmental response to charges of police brutality varies from state to state.

d. Arbitrary Arrest, Detention, or Exile

Under the Constitution, an arrested person must be informed of the grounds for arrest, given the right to be represented by counsel, and produced before a magistrate within 24 hours of arrest. At this initial appearance the accused must be either remanded for further investigation or released. These provisions are generally respected.

The enactment of preventive detention laws in the event of threats to public welfare and national security is permitted under the Constitution. Such laws provide for limits on the length of detention, usually 12 months, and for judicial review of such detention. Two such laws are in force. One permits arrest of economic offenders; this is rarely used. The second, the National Security Act (NSA), permits detention of security risks. To be released from detention under this law, a court must determine that all grounds for detention are invalid. Upon expiration of the detention order, an additional order can be issued for another 12 months, making it theoretically possible for a detainee to be held indefinitely without trial. The NSA has been used in the Punjab, but most of those held have been released by the state government. The union government has, however, kept 360 persons arrested during Operation Bluestar (the June 1984 army action at the Golden Temple, the Sikh's holiest shrine) in detention without charges at Jodhpur (Rajasthan) jail.

Incommunicado detention is practiced under the Terrorist Affected Areas Act, which applies to the Punjab and Chandigarh. All detainees have the right to have their detention reviewed by courts.

Exile is not practiced as a punishment in India. Forced labor is in effect prohibited by constitutional provisions establishing the "right against exploitation" as a fundamental right of Indian citizens and is not used as a form of punishment.

e. Denial of Fair Public Trial

The Indian Criminal Procedure Code provides for open trial in most cases but allows the judiciary, under certain circumstances, to close proceedings. Such circumstances include proceedings involving official secrets or trials in which statements prejudicial to the safety of the State might be made. Sentences must, however, be announced in public. Generally, Indian legal procedures assure a fair trial, although the process can be drawn out. Defendants have the right to choose counsel from an Indian bar that is fully independent of the Government. Effective appeals channels exist at all levels of the judicial system.

The vigor of the Indian judicial system is demonstrated by the active and comprehensive defense and appeals process being provided those accused of the murder of the late Prime Minister Indira Gandhi, certainly by far the most prominent judicial proceeding in the past decade. There were no reports of any prosecutions in 1986 under the 1984 Terrorist Affected Areas Act, which had brought special courts and judicial procedures to cases in areas with widespread and prolonged civil disturbances.

Courts martial have continued to try Sikh military personnel who deserted after the 1984 raid on the Golden Temple. The Punjab Accord calls for a "rehabilitation process" to be provided for those discharged from the army after their desertion. Major progress has been made in carrying out this process, and the army has agreed to extend full benefits of army group insurance to the families of those soldiers who were killed following their desertion in June 1984.

Judges in the Indian judicial system are selected by the Law Ministry following consultations with the Chief Justice of the Supreme Court.

f. Arbitrary Interference with Privacy, Family, Home, or Correspondence

Under Indian law, warrants are normally required for searches and seizures. In a criminal investigation, however, police may conduct searches if there would be undue delay, but must justify search without a warrant in writing. There have been no reports that this right is abused. Unannounced midnight raids on homes and businesses by tax authorities to seize records and evidence drew criticism in 1986; procedures for such raids reportedly have since been modified. Under "Disturbed Areas Legislation," the authorities continue to have special powers in the Punjab to search and arrest without warrant and to shoot to kill under certain circumstances.

Surveillance of communications, including tapping telephones and intercepting personal mail, is authorized by law "on the occurrence of any public emergency or in the interest of the public safety or tranquility." Censorship of mail is legal in certain circumstances, such as a public emergency. Except in these circumstances the Government does not normally interfere in the private lives of Indian citizens.

Section 2 Respect for Civil Liberties, Including:

a. Freedom of Speech and Press

The Constitution guarantees the right of free speech. Freedom of the press is derived by extension of freedom of speech. The Government can proscribe printed material which in its view may incite religious or communal hatred.

Films are reviewed by a film censorship board before being licensed for distribution. The board censors material deemed overly violent or offensive to either public morals or to religious or communal sentiment. Radio and television are government monopolies. Opposition parties often accuse both media of favoring the ruling party.

The print media reflect the full spectrum of opposition viewpoints. Many parties control their own papers or journals. There are no restrictions on criticism of the Government in the lively and free Indian press.

b. Freedom of Peaceful Assembly and Association

The Constitution protects the right of peaceful assembly and the right to form associations, including unions. These rights are respected. Government authorities sometimes require permits and notification prior to holding parades and demonstrations. At times of civil tension, local governments can ban public assemblies and impose curfew. Ordinarily, governments respect the right to protest peacefully, including such traditional Indian forms of protest as "gherao," in which an office is surrounded by protesters who allow nobody to enter or leave, and sit-downs blocking public thoroughfares.

The Industrial Disputes Act of 1947 and the Indian Trade Union Act of 1926 established the right for labor to organize, bargain collectively, and strike. Under the Essential Services Maintenance Act, the Government can ban strikes and require conciliation or arbitration in 16 essential industries. Five percent, or approximately 14 million, of India's work force belong to labor unions. This represents roughly half of the workers in the so-called modern industrial sector of the economy. Four-fifths of India's work force, however, is in the rural sector, where organization is difficult. The Government, labor unions, and employer organizations all play a role in developing labor policy and industrial relations norms.

Unions and professional bodies are free to maintain contact with international bodies. The Indian National Trade Union Congress and the Hind Mazdoor Sabha are affiliated with the International Confederation of Free Trade Unions. The All-India Trade Union Congress, associated with the Communist Party of India, is affiliated with the Soviet-supported World Federation of Trade Unions (WFTU) and the Centre of Indian Trade Unions, associated with the Communist Party of India (Marxist), attends WFTU meetings as an observer. In recent years Indian unions have complained several times to the International Labor Organization's (ILO) Committee on Freedom of Association, charging violations of ILO conventions and recommendations. Such complaints are usually presented by the Marxist unions. The Government has cooperated in the Committee's investigations.

c. Freedom of Religion

India is a secular state in which all religious groups have the full right to worship freely. Government policy normally does not favor any one religious group, but communal tensions based on religious differences continue to be a social problem and pose challenges to the overall secular posture of the Indian polity.

There is no bar to proselytizing by Indian Christians, but the Government appears to be limiting the number of foreign missionaries. During 1986 some foreign missionaries engaged in social work among disadvantaged communities were expelled on the orders of state governments. Indian religious organizations may maintain communication with coreligionists abroad. Financial contributions from abroad are subject to scrutiny and licensing by the Ministry of Home Affairs. In a case that attracted national attention and produced political controversy, the Supreme Court ruled that two students of the Jehovah's Witness faith could not be expelled from school for refusing to sing the Indian national anthem.

d. Freedom of Movement Within the Country, Foreign Travel, Emigration, and Repatriation

Indian citizens enjoy full freedom of movement within the country, except in certain sensitive border areas for which special permits are required. Foreign travel and emigration are without political restrictions. Millions of people of Indian origin now live abroad.

To enter India, a visa is required of almost every person who is not an Indian citizen. Foreigners must obtain special permission to visit the Punjab and are prohibited from visiting sensitive border areas. Foreign journalists accredited to India may travel to Punjab without prior permission.

India has admitted millions of refugees and displaced persons since 1947 and accepted most for citizenship, integrating them fully into Indian society. The most recent migrations have been from Bangladesh into Assam and other northeastern states and from Sri Lanka into Tamil Nadu. The Assam state government has undertaken to identify foreigners who have entered that state with a view towards repatriating them. Tamils from Sri Lanka in Tamil Nadu are provided shelter and subsistence by the Government.

In addition, several thousand Afghans have entered India since the Soviet invasion in 1979. India does not recognize them as refugees, but there has been no evidence of forcible repatriation. Many have traveled onwards from India to third countries.

Section 3 Respect for Political Rights: The Right of Citizens to Change Their Government

The Indian people clearly rule in India through a multilayered but firmly democratic parliamentary system. The Constitution provides for full adult universal suffrage. Elections are held regularly at every level. A parliament can be constituted for not more than 5 years.

On the advice of the Prime Minister, the President can declare "President's Rule," i.e., a state of emergency, in the event of war, external aggression, internal disruption, collapse of the constitutional machinery in any state, or financial breakdown of the central or any state government. President's rule was established in the state of Jammu and Kashmir in September 1986, following 6 months of Governor's Rule, but state control was reinstituted in November.

Although the ruling Congress (I) Party holds a firm majority of seats in Parliament and in 11 of India's 24 state governments, it faces an articulate and active, if fragmented, political opposition. Parties represent a broad range of the political spectrum and a full mix of ethnic, linguistic, and religious outlooks.

Section 4 Governmental Attitude Regarding International and Nongovernmental Investigation of Alleged Violations of Human Rights

There were no reports of international investigations of human rights problems in India during 1986. India is a member of the U.N. Human Rights Commission. Independent Indian human rights organizations include the People's Union for Civil Liberties and the People's Union for Democratic Rights, which send teams to study specific incidents involving alleged human rights abuses. Some press reports claim that on occasion representatives of human rights organizations are harassed by state governments who regard their activities as politically sensitive and thus "subversive."

Several women's groups monitor the status of women. During 1986 they continued their agitations against "dowry deaths," and participated in the political discussion regarding legislation that reaffirmed the applicability of traditional Muslim law to marriage and divorce within India's large Muslim minority. The most active independent channels for addressing human rights issues continue to be the Parliament and the very active Indian press. Members of Parliament investigate allegations of police brutality, exploitation of and violence towards members of the lower castes and untouchables, tribal policy, women's rights, and violations of Sikhs' human rights.

Section 5 Discrimination Based on Race, Sex, Religion, Language, or Social Status

Indian law guarantees women equal rights and legal protection. Nonetheless, there has been a decline in the ratio of women to men in the population. Female infant mortality is higher and women die earlier than men. These factors relate to the higher economic and social value placed upon males and the relative neglect given women's nutritional and health needs.

In recent years, attention has been focused on the practice of "dowry deaths," i.e., deaths under suspicious circumstances of women unable to provide the additional dowry sometimes demanded by the husband's family after marriage. Increasing attention to this phenomenon has encouraged police to investigate these cases as murders rather than accidents.

There are no legal barriers to female candidates for public office, although their numbers have remained small since independence. The late prime minister, Indira Gandhi, was a woman, and there are moderate numbers of women in both houses of Parliament.

Government programs designed to improve the lot of the so-called "scheduled castes," which make up 15 percent of the population, have met only partial success. In some cases, upper-caste communities have mobilized against the upward mobility of the disadvantaged, with violence sometimes resulting. Political controversy surrounds the definition of those castes, tribes, and classes which should be granted preference in education, employment, and housing. This violence and controversy relates in part to perceived threats to the economic position of the higher-caste groups. In recent years, the central Government has increasingly attempted to strengthen the legal protection accorded to the underprivileged and often victimized groups. In several states, the system of reservations for disadvantaged castes is manipulated for political gain by party and community leaders.

Minority religious groups continue to claim to be victims of discrimination. Sikhs traditionally have been fully integrated into Indian society and have been notably successful in agriculture and the professions, particularly the armed services. Terrorist violence, however, has increased tensions and distrust between Hindu and Sikh communities, leading to spontaneous outbreaks that have resulted in damage to property, injuries and deaths. The police forces have had difficulty containing some outbreaks but there is no evidence to support the charge of government involvement in this violence. The activities of Sikh militants in Punjab and elsewhere has led the Government to take measures to control the terrorism and, although they are treated equally under the law, Sikhs, particularly young males, continue to be subjected to more rigorous security precautions than others in certain circumstances (e.g. airport security).

Muslims accused the Government earlier this year of interfering in Muslim personal law, which is protected by the Constitution. After attempting to change the divorce laws governing Muslims to conform to civil law, the Government withdrew its highly controversial proposal and maintained the community's right to follow Islamic tradition.

CONDITIONS OF LABOR

Although India is a leader in legislation protecting labor, certain categories of labor abuse remain common. Bonded labor, illegal since 1976, continues. Most commonly, bondage arises from debt incurred at usurious rates and continued through a lifetime of renewal of these debts. Bonded laborers are most commonly employed in agriculture and construction. Estimates of the number of bonded laborers range from 500,000 to 2,500,000. The Government encourages states to take measures to detect, release, and rehabilitate bonded laborers and offers financial support for state programs.

Forced labor has been defined by a Supreme Court decision as labor for remuneration at less than the minimum wage. Under this definition, forced labor is widespread throughout India, especially in rural areas. Minimum wages, however, are established by the states through wage advisory boards for "nonmodern" sectors such as agriculture. Minimum wages thus vary widely from state to state. Enforcement of even these low rates is poor. In many more modern industries, wage rates are set through collective bargaining of employers and trade unions reflecting supply and demand.

Although illegal, child labor persists, a function of poverty and the lack of compulsory education. According to a survey of the Labor Department, 1 out of every 4 children between 5 and 15 is employed.

With the Factories Act of 1948, India established an 8-hour workday, a 48-hour workweek, and minimum standards for occupational safety and health. These standards are generally enforced and accepted in the modern industrial sectors but are less accepted in older, less cost-effective industries. Standards are generally not observed in small industries, largely because of the rapid growth in this sector and the small number of inspectors.

U.S.OVERSEAS -LOANS AND GRANTS- OBLIGATIONS AND LOAN AUTHORIZATIONS
(U.S.FISCAL YEARS - MILLIONS OF DOLLARS)

COUNTRY: INDIA

	1984	1985	1986
I.ECON. ASSIST.-TOTAL...	213.3	190.9	93.5
LOANS...............	61.5	59.3	48.0
GRANTS..............	151.8	131.6	45.5
A.AID	87.5	88.6	93.5
LOANS...............	61.5	59.3	48.0
GRANTS..............	26.0	29.3	45.5
(SEC.SUPP.ASSIST.)...	0.0	0.0	0.0
B.FOOD FOR PEACE.......	125.8	102.3	0.0
LOANS...............	0.0	0.0	0.0
GRANTS..............	125.8	102.3	0.0
TITLE I-TOTAL..........	0.0	0.0	0.0
REPAY. IN $-LOANS.....	0.0	0.0	0.0
PAY. IN FOR. CURR.....	0.0	0.0	0.0
TITLE II-TOTAL.........	125.8	102.3	0.0
E.RELIEF.EC.DEV & WFP.	10.7	11.5	0.0
VOL.RELIEF AGENCY.....	115.1	90.8	0.0
C.OTHER ECON. ASSIST...	0.0	0.0	0.0
LOANS...............	0.0	0.0	0.0
GRANTS..............	0.0	0.0	0.0
PEACE CORPS......	0.0	0.0	0.0
NARCOTICS........	0.0	0.0	0.0
OTHER............	0.0	0.0	0.0
II.MIL. ASSIST.-TOTAL...	0.1	0.3	0.0
LOANS...............	0.0	0.0	0.0
GRANTS..............	0.1	0.3	0.0
A.MAP GRANTS..........	0.0	0.0	0.0
B.CREDIT FINANCING....	0.0	0.0	0.0
C.INTL MIL.ED.TRNG....	0.1	0.3	0.0
D.TRAN-EXCESS STOCK...	0.0	0.0	0.0
E.OTHER GRANTS........	0.0	0.0	0.0
III.TOTAL ECON. & MIL...	213.4	191.2	93.5
LOANS...............	61.5	59.3	48.0
GRANTS..............	151.9	131.9	45.5
OTHER US LOANS..........	0.0	0.0	0.0
EX-IM BANK LOANS.......	0.0	0.0	0.0
ALL OTHER..............	0.0	0.0	0.0

ASSISTANCE FROM INTERNATIONAL AGENCIES

	1984	1985	1986	1946-86
TOTAL.........	2789.4	2542.7	2534.2	25839.7
IBRD	1721.4	1674.0	1743.2	10668.5
IFC	43.7	34.7	65.9	390.5
IDA	1001.0	672.9	625.1	13953.5
IDB	0.0	0.0	0.0	0.0
ADB	0.0	0.0	100.0	100.0
AFDB	0.0	0.0	0.0	0.0
UNDP	23.3	20.7	0.0	265.2
OTHER-UN	0.0	140.4	0.0	462.0
EEC	0.0	0.0	0.0	0.0

3. Technology Transfer

Q. Is there a danger that India will leak advanced high technology from the United States to the Soviet Union? What type of safeguards or controls do we have to prevent this potential problem?

A. India maintains friendly political and economic relations with the Soviet Union, and there is a large Soviet presence in India. As a result, there is a significant risk that U.S. technology supplied to India could be compromised to the Soviets. We have no evidence, however, that this has ever happened. The Indian government is well aware of our concerns in this regard, and has assured us that its policy is to protect U.S. technology against any unauthorized retransfer or diversion. India has shown a willingness to work with us to strengthen the barriers against Soviet access, and has signed a government-to-government Memorandum of Understanding (MOU) on technology transfer which facilitates the provision of advanced U.S. technology to India by establishing appropriate security measures and assurances.

4. Indian-Soviet Arms Manufacturing.

Q: What type of cooperation exists between India and the Soviet Union with respect to arms manufacturing? Has the Soviet Union undertaken cooperation to build up the Indian arms industry in areas such as aircraft, tanks and ammunition in India?

A: The USSR became India's most important source of imported sophisticated military equipment after the Western decision to suspend arms shipments during the 1965 Indo-Pakistani war. In addition to end-items, it has sold India production licenses, technical consultation, subcomponents and tooling for local production of major weapons such as jet fighters (MiG 21), tanks (T-72), and armored personnel carriers (BMP-2). These licenses were offered on attractive terms, with repayment in rupees rather than in hard currency.

During the same period, India produced major artillery, armor, aircraft and naval items of its own or Western design, including the Vijayanta tank, Leander-class frigates, and the Ajeet aircraft.

Since the late 1970's, India has sought to increase its self-reliance in arms production, and has turned increasingly to the West for technology transfer and design assistance. Jaguar fighters are manufactured under license from the British. The proposed Light Combat Aircraft, Arjun main battle tank and Advanced Light Helicopter are being developed indigenously in collaboration with Western firms. With these developments the importance of the Soviet role in Indian arms production has begun to decline.

What is the current situation along the India-Pakistan border? How did the military tensions arise? How many troops have both sides had along the border during the escalation? To what extent have both sides removed troops along the border?

Tensions have eased substantially. There is a return to normality along the greatest length of the border.

The recent escalation of tensions was rooted in uncertainty on both sides about the peaceful intentions of the other. Pakistan was concerned about a very large-scale exercise (now virtually completed) being conducted by the Indian Army; India was concerned about certain tactical movements made by Pakistani units which had not returned to their peacetime garrisons after conducting their own regularly-scheduled exercises. We do not have a firm estimate of the number of personnel deployed on both sides at the height of the tension.

After border concerns broke into public view, the two countries began a diplomatic dialogue to ease tensions. Representatives of the two sides met in New Delhi from Janaury 31 to February 4 and agreed upon a 10-point document which established a sector-by-sector approach for the withdrawal of border forces. This began with the northern sector, with both sides' pullbacks to be completed by 19 February. At followup talks in Islamabad from February 26 to March 2, the two sides decided that forces in the southern sector of Rajasthan would return to peacetime locations by 17 March and that remaining forces in northern Rajasthan would begin their return on 16 March. A final round of talks, for which a date has not been set, will agree upon a schedule for the final pullback in the central sector of the border.

All the de-escalation agreements have apparently been fully implemented on schedule. The two countries have indicated a desire to resume talks on other bilateral issues, thus restoring normalcy to the relationship.

RESPONSES OF LORET MILLER RUPPE TO QUESTIONS ASKED BY SENATOR CRANSTON

QUESTION 1.

Yesterday, I introduced legislation, S. 842, to authorize Peace Corps appropriations of $146.2 million and $156 million in fiscal years 1988 and 1989, respectively, as well as to make certain other changes in the Peace Corps Act. As you know, the proposed funding levels in the bill are drawn from the plan you developed, at Congressional request, to meet in a phased and realistic way the Congressionally-established goal of 10,000 Volunteers. What are your views on these proposed funding levels?

ANSWER 1.

The funding levels in your bill, S.842 are consistent with the plan Peace Corps submitted in 1986 at Congressional request, pursuant to enactment of P.L. 99-83 which directed Peace Corps to achieve a level of 10,000 volunteers.

The plan calls for an orderly, programmatic growth to 10,000 Volunteers over a six year time-frame. The funds necessary to implement this would be as follows: FY'87, $137.2 million; FY'88, 146.2 million, FY'89, $157 million, FY'90, $172.8 million, FY'91 $185.3 million, and in FY'92, $196.2 million.

During it's past 25 years, over 120,000 Americans of all ages have served as Peace Corps Volunteers in 92 developing nations around the globe. Peace Corps has a proven track record, and it has built a strong organization to do more.

QUESTION 2.

In addition, S. 842 would expressly clarify the authority of the Peace Corps with respect to encouraging donations from the private sector to help Peace Corps activities. I know that under your leadership, the Peace Corps has continued to provide opportunities -- such as the Partnership Program -- for individuals and organizations to assist vitally-needed Peace Corps projects overseas. In my view, a more explicit statutory authority in this area would enable the Peace Corps to increase the participation of the private sector and thus enhance Peace Corps activities. Do you think this provision would be helpful to your efforts in this regard?

ANSWER 2.

Yes. As you know, the Peace Corps now has general authority to accept donations in support of its Volunteers and the purposes of the Peace Corps Act. However, the basic role of the Peace Corps in developing countries is skills transfer. For example, it does not have funds to supply materials to the people whom it serves to enable them to carry out the projects on which Peace Corps Volunteers work. Volunteer teachers need books, agriculture Volunteers need seeds, health Volunteers need supplies and medicines.

It is for this reason that such programs as the Partnership Program and cooperative agreements with other agencies -- particularily USAID, are so important. Congressional recognition of Peace Corps' need to encourage more private sector participation, in such important aspects of Peace Corps' projects would enhance the overall impact of the work Peace Corps Volunteers are doing.

We do not interpret the proposed bill language to authorize the Peace Corps to seek contributions for the purpose of augmenting the funds available for allowances or other volunteer benefits.

QUESTION 3.

My bill would also direct you to encourage, facilitate, and assist activities of returned Peace Corps Volunteers, as well as other individuals and organizations supporting those activities, to achieve the third goal of Peace Corps -- that is, the promotion of a better understanding of other peoples on the part of the American people. As a result of your and many others' efforts, last September's celebration of the 25th Anniversary of the Peace Corps was a tremendous success. Almost five thousand returned Volunteers came together and renewed their bond to the Peace Corps. This enabled you to get a feel for and to promote returned Volunteers' ongoing efforts relating to the third goal. Thus, we now have what I consider an excellent opportunity for the Peace Corps to build on that momentum in pursuing the third goal. Would a specific Congressional directive assist you in this effort?

ANSWER 3.

Yes, while the Peace Corps currently has the authority to pursue the third goal, as one of the three primary goal established under the Peace Corps Act -- and is doing so -- we would respect any further emphasis that the Congress might want to give to that goal. Today, with more than 120,000 returned Volunteers all around the country and the world, Peace Corps has the "critical mass" necessary to more effectively reach this goal.

By adopting the proposed directive, the Congress would help to underscore -- as a message to returned Volunteers as well as to the Agency -- the importance of the partnership between Peace Corps and the returned Volunteers in making activities toward that goal a greater reality.

QUESTION 4.A.

Loret, looking at fiscal year 1987, as you know, in legislation enacted last year, we increased your authorization to $137.2 million. Right now we are working for a supplemental appropriation for $7.2 million in order to reach the authorized level. If we are not able to succeed, what would be the impact of your not receiving those funds - being frozen at $130 million for the third year in a row - on the numbers of volunteers, on the entry of the Peace Corps into new countries, and on Peace Corps programs generally?

ANSWER 4.A.

The $7.2 million supplemental would increase our appropriation level to $137.2 million. This figure was originally submitted to you last year in a plan for attaining a Volunteer strength of 10,000 by 1992. Without the $7.2 million supplemental, we would be unable to increase Volunteer numbers by two to three hundred; we would be unable to conduct any assessments for possible new country entries and would be unable to increase our Philippine program. Consequently, we would be unable to procede with the projected plan to increase the number of Volunteers, and, in fact, we would continue to see a decrease in Volunteer levels for FY'88 and FY'89.

QUESTION 4.B.

If a freeze of Peace Corps appropriations at the $130 million level were extended into fiscal 1988, that would be at the fourth year year in a row at that level. What would be the impact in FY'88 on the number of Volunteers, entries into new countries, and Peace Corps programs generally if the fiscal year 1988 funding was $130 million?

ANSWER 4.B.

Continuation of funding at the $130 million level would preclude consideration of any further country entries by Peace Corps. It would result in the further decline of the level of Volunteers. Currently, Peace Corps has a Volunteer level of 5,500, down from the over 6,200 Volunteers in 1985. With a fourth year appropriated level of $130 million, we will see a further reduction of another 1,000 Volunteers, bringing the total number of Volunteers to the lowest level since 1962. It would also preclude replacement of a rapidly failing computer system now in place and inability to address continued deterioration of these system in other posts. In the computer area, it is anticipated that roughly half our posts currently have equipment which is inoperable and in need of repairs. For those posts, failure to obtain replacements means reverting to manual operations of management and accounting systems with related increases in workload on very limited staff. We would also experience a decline in funds available for program support because of projected increases in uncontrollables (rents, FAAS, FECA, etc.). It is estimated that uncontrollable costs will increase in FY'88 approximately $5.330 million over FY'86 actual figures of $8.2 million.

QUESTION 5.

Why does Peace Corps now take the position that it cannot share with, or provide to the Peace Corps Institute, and/or the National Council of Returned Volunteers, its former volunteer data, address tapes, etc., when, in fact, it did so in 1981?

ANSWER 5.

The Peace Corps has shared with the Peace Corps Institute and the National Council data regarding former Volunteers, whenever written consent to do so has been given by the former Volunteer. Under the Privacy Act, such consent is required as to personal information (such as home addresses and language proficiency). Certain basic data, such as names, countries, dates of service and a general description of service of former Volunteers are considered to be public information and may be provided without consent. In fact, in connection with the Peace Corps 25th Anniversary, Peace Corps mailed a card to most of its former Volunteers, encouraging them to consent to the sharing of information provided on the card (e.g. home addresses and their interest in various returned Volunteer events) with such organizations. As Mr. Josephson's testimony noted, where consent was given, the information was provided to the organizations. In 1981, the Peace Corps did not release the addresses of former Volunteers to the Institute or other Volunteer related organizations without RPCV consent. It did assist the Institute in the directory project by printing and affixing address labels to a mailing of a questionaire prepared by the Institute and returnable, at the option of the RPCV, directly to the Institute. This method, like that used in connection with the 25th Anniversary, is another means by which the Peace Corps can facilitate the exchange of information between former Volunteers and such organizations within the requirements of the Privacy Act. The Peace Corps is in continuing discussions with such organizations over the means by which it can continue to advance their mutual goals, consistent with the Privacy Act.

RESPONSES TO QUESTIONS ASKED BY SENATOR DODD

QUESTION NO. 1

What impact will the depletion of the Social Progress Trust Fund have on the Foundation's programs in the next few years?

ANSWER

The resources of the Social Progress Trust Fund (SPTF), available to the Inter-American Foundation since 1974, have accounted for approximately 50 percent of the Foundation's program funds. Since 1983, SPTF resources have accounted for close to 60 percent of the Foundation's program funds. Currently, SPTF resources represent 68 percent of the Foundation's program budget. This increase in use of SPTF resources has been caused by the decreasing availability of appropriated funds for the Foundation.

Since SPTF resources can only be used in the countries from which they originate and cannot be used for administrative expenses and salaries, the Foundation has relied on appropriated funds to cover those costs as well as the program budgets for countries lacking SPTF resources or with very small amounts available (Chile, Costa Rica, Colombia, Dominican Republic, Haiti, Mexico, Paraguay, and the Eastern Caribbean).

Lacking SPTF resources, the Foundation will be unable to maintain its program with the current level of appropriated funds.

A more detailed analysis of the SPTF and the impact of its depletion on the Foundation is contained in Appendix I.

QUESTION NO. 2

How does the Foundation differ in both its mission and its style of operation from A.I.D. or the IDB?

ANSWER

The Inter-American Foundation (Foundation) was created to: (1) strengthen the bonds of friendship among the peoples of this hemisphere; (2) support self-help efforts; (3) stimulate wider participation of the people in the development process; and (4) encourage the growth of democratic institutions (see the Foundation's enabling legislation, 22 U.S.C. 290(f)).

The Foundation has carried out these objectives by working with private, indigenous, non-governmental organizations throughout Latin America and the Caribbean which are providing needed services to the poorest strata of their societies. It has been the Foundation's observation that the more traditional development assistance programs, both bilateral and multilateral, often find it difficult to reach these people and to work with them in a lasting and cost-effective way. The policy of the Inter-American Foundation has been both to work directly with the poor and with private development agencies that work with the poor.

Over the last two decades, the number of private groups working to improve their communities has grown rapidly. When the Foundation was created in 1969, it was estimated that there were only 250 private development agencies in Latin America and the Caribbean; today, the estimate is 4,000.

For 15 years, the Foundation has been the only U.S. government agency directly supporting many of those programs. The projects they have proposed, for creating jobs and generating income, for literacy training, for preventive health care, and for community services, embody the hopes of the people and their concrete plans for realizing them.

Today, the Foundation is the only U.S. government development assistance agency active in six of the largest Latin American countries (Brazil, Mexico, Argentina, Colombia, Venezuela, and Chile) that account for 75 percent of the region's population.

So far as style is concerned, all Foundation-supported projects share one essential attribute -- the ideas for the projects come from the people themselves. The Foundation does not create or carry out projects. It supports local initiatives that reflect the aspirations of those energetically participating in the project.

Foundation support has been provided to both small groups of poor people as well as to larger community-based groups which are often linked to regional or national networks. The Foundation has also supported intermediary service organizations, created by businesspeople, professionals, and community leaders joining together to contribute their skills to grassroots development efforts. These intermediary organizations provide services, especially credit and technical assistance, to grassroots groups. This funding strategy has enabled the Foundation to expand the number of people it can reach while keeping its administrative overhead at a minimum -- for FY 1986 less than 18 percent of the annual budget.

Finally, since its inception the Inter-American Foundation has made a conscious effort to support development initiatives that promote human growth rather than the proliferation of physical structures. In a number of cases, Foundation grantees have emerged as national leaders in their own countries. Their grassroots initiatives have had an impact on government policies and have encouraged democratic participation in decisions about development goals and programs.

QUESTION NO. 3

Is the Foundation prohibited from operating in Nicaragua? Do you fund any activities in Nicaragua currently? Are you contemplating funding certain projects? Do you fund projects in Chile?

ANSWER

Nicaragua

The Inter-American Foundation is not prohibited by law or policy from operating in Nicaragua.

The Foundation currently is supporting the following activities in Nicaragua:

i) A $654,880 grant to the Fundación Nicaragüense de Desarrollo (FUNDE) was made in 1984 and terminates in 1988. The grant provides technical assistance and training to the owners and operators of micro-enterprises throughout Nicaragua to improve management, marketing, accounting, and alternative production practices.

2) A $180,208 grant to the Instituto de Promoción Humana (INPHRU) was made in 1980 and terminates in 1988. The grant provides funds to establish an agricultural center to train 360 small-scale farmers as agricultural extension agents.

During FY 1986, Foundation funding and learning activities in Nicaragua were reduced because of the internal problems that hinder the traditional economic and social development activities of non-governmental organizations in that country. One amendment for $5,791 was approved for the INPHRU project to provide technical assistance to the poultry producers.

The Foundation has under consideration the following proposals in Nicaragua:

1) An amendment request from FUNDE for an additional $152,000.

2) A request from the Instituto Centroamericano de Administración de Empresas (INCAE) for $350,000 to establish a training program in administration and small business development at their Managua campus.

3) Six requests for small projects by community and peasant producer groups which average $35,000 and include irrigation, marketing, and small crop and animal production activities.

Chile

Since 1973, the Inter-American Foundation has provided approximately $31 million through 175 grants to private, indigenous organizations in Chile. This represents the largest cumulative expenditure of resouces for any country in which the Foundation operates. However, as the Foundation's appropriated resources have been reduced, it has become more difficult to maintain previous funding levels for Chile. Adding to the difficulties, Social Progress Trust Fund resources are not available for use in that country.

During FY 1986, the Foundation approved ten grants in Chile and three amendments to existing grants totaling $1.14 million. Approximately 45 percent of the funding benefits the urban poor of Santiago and other Chilean cities. This sum reflects the Foundation's continued commitment to work with Chile's large urban sector and the success of several Chilean organizations in finding effective ways to do so. As in past years, the remaining 55 percent of Foundation support in Chile was allocated to rural projects that promote increased agricultural production, training, and community development efforts.

During FY 1987, the Foundation's funding priorities remain the same. However, the program budget for Chile has been reduced to $800,000.

The program budget for Chile for FY 1988 is currently projected to be between $500,000 and $1 million depending upon the availability of appropriated funds.

QUESTION NO. 4

In recent years your Board has been advocating more of a private sector emphasis in your programming. How has this translated into new projects for the Foundation? What problems do you encounter when trying to incorporate this approach to development activities?

ANSWER

The Foundation has traditionally supported productive enterprises -- often small family-run businesses that are commonly referred to as microenterprises. During FY 1986, 15 percent of program funds were used to support urban small enterprise development, a slight increase over the FY 1985 level of 14 percent. In addition, 48 percent of program funds support rural sector productive activities undertaken by associations of small producers, cooperatives and small, community-based enterprises.

QUESTION NO. 5

One of the Foundation's programs has involved short-term training for various leaders from the region. Could you describe your training programs and the importance they play in your overall mission?

ANSWER

Training is a key component in practically all of the projects supported by the Foundation because appropriate, practical training increases the likelihood that projects will succeed.

Virtually all Foundation grants include educational components whether this be for non-formal education, literacy training, the development of artisan skills or special courses and workshops on practical subjects such as accounting, personnel management, urban enterprise development, small-scale farm technology, and training for women leaders. Programs exclusively dedicated to training account for 13 percent of our program budget.

APPENDIX I

SOCIAL PROGRESS TRUST FUND

Legislative History

The Social Progess Trust Fund ("Fund") was created in 1961 following the passage of the Latin American Development Act ("Act"). The purpose of the Act was to promote hemispheric development programs based upon self-help, mutual efforts, and the strengthening of free institutions. Section 1943 of the Act authorized $680 million, to remain available until expended, to implement the programs created under the Act.

In 1961 the Government of the United States and the Inter-American Development Bank agreed ("SPTF Agreement") to entrust the Bank with the administration of the Fund financed with $394 million from appropriations made available through the Act.

The SPTF Agreement authorized the Administrator of the Fund (The Inter-American Development Bank or "IDB") to utilize its resources to support projects and programs in:

(a) land settlement and improved land use:
(b) housing for low income groups:
(c) water supply and sanitation;
(d) advanced education and training related to economic and social development; and
(e) basic education and health

IAF Access to SPTF

In December 1973 the United States Congress passed an amendment to the Foreign Assistance Act (22 U.S.C. sec. 2151) which directed the President of the United States to seek a revision of the SPTF Agreement to provide for periodic transfers of unencumbered capital resources of the Fund, and any future repayments or other accruals payable to the Fund, to the Inter-American Foundation ("IAF"). The resources were to be administered by the IAF for the purposes outlined in its enabling legislation. This amendment has been implemented through five three-year agreements between the IDB and the United States providing the IAF with an agreed upon portion of the available resources of the Fund as follows:

1974-1976	$ 31 million
1977-1979	48
1980-1982	48
1983-1985	48
1986-1988	48.7
TOTAL	$223.7

IAF Utilization of SPTF

Of the total of $191.9 million in SPTF funds allocated to the IAF from 1974 through 1986: $134.9 million (70%) has been obligated for IAF program activities, approximately $35.1 million has been unused and returned to IDB, and $15.8 million remains available for use through calendar year 1986. The remaining $6.1 million represents losses in currency exchange.

As a proportion of funds obligated by the Foundation in a given fiscal year, SPTF has ranged from 72% in 1977 to 39% in 1979; the average ratio of spending is approximately 56% SPTF, 44% appropriated. During the last two years the average ratio of spending is 66% SPTF and 34% appropriated. Attachment I shows SPTF funds allocated and SPTF funds obligated by country over the period 1974 through 1986.

Since receiving access to the Fund, the IAF has experienced continuing difficulties in making use of all the Fund resources available to it under the SPTF Agreement. This is despite longstanding Foundation policy to utilize Fund resources to the fullest extent possible where they are available, while using appropriated funds in areas such as the Caribbean where there is a paucity of Fund resources available to the IAF.

The primary reason for these undisbursed balances is the "tying" rule contained in the SPTF Agreement which restricts use of Fund resources to their country of origin. A secondary limitation has been the restrictions imposed on the types of projects or "categories" eligible for financing under the Fund.

CY 1986-1988 SPTF Agreement

As of September 1986, the IAF had available to it $48.2 million in SPTF resources for use through CY 1988, of which $32 million will be available through FY 1988. This conforms to OMB's planned apportionment of approximately $15.7 million in SPTF resources per fiscal year. Approximately, $10 million of the $16.2 million remaining after apportionment will be available for use only in El Salvador and Nicaragua.

Attachment I shows the distribution of these funds.

Depletion of SPTF Resources and Its Impact on IAF Programs

For FY 1987, the IAF's SPTF resources represent 58% of its total budget and 69% of its program funds. However, the Fund is being rapidly depleted, and in several countries resources are exhausted or available in very small amounts. The IDB projects that the Fund will be entirely depleted by 1994.

For the period 1986-1988, 70% of the IAF's SPTF resources are concentrated in six of the 36 countries in which the IAF operates. (Argentina, Brazil, Ecuador, El Salvador, Nicaragua, and Venezuela). One half of this amount is concentrated in El Salvador and Nicaragua. However, since 1971, 51% of IAF funding has taken place in Paraguay, Colombia, Chile, Mexico, Belize, Costa Rica, Haiti, Jamaica, the Dominican Republic, and the Eastern Caribbean. (Chile, Jamaica and the Eastern Caribbean do not have access to SPTF). Because of the Fund's depletion, the IAF program for these countries will be limited to 26% of IAF grant funds (this amount includes both appropriated and SPTF).

The following chart compares SPTF resources which were available under the CY 1983-1985 SPTF Agreement with the amounts available under the CY 1986-1988 SPTF Agreement.

Country	1983-1985 Agreement ($ in 000)	1986-1988 Agreement ($ in 000)	% Decrease
Colombia	$ 4,500	$1,150	75%
Costa Rica	3,630	550	83%
Dom. Republic	1,100	700	30%
Haiti	220	110	45%
Mexico	2,100	0	100%
Paraguay	800	250	69%
Total	$12,350	$2,760	78%

Beginning in FY 1988, the depletion of the Fund will have a severe impact on the IAF. At that time, it is estimated that only $31 million will be available for the 3-year period covering 1989-1991 -- a 35% reduction ($17 million) in resources compared to the current SPTF Agreement. If the total of available resources is divided evenly between the IAF and the IDB, as has been the case with the five previous SPTF Agreements, each institution would receive $15.5 million for the 3-year period or $5.2 million per year. (See Attachment II- Average Amount of SPTF Available Per Year) Further, 47% of the available resources would be concentrated in three countries (Brazil, El Salvador, and Peru).

By 1992, only $14.6 million will remain in the Fund. The Foundation's annual share of the Fund resources will drop to $2.4 million. Forty-eight percent of these funds will be concentrated in three countries - Brazil, El Salvador and Guatemala. This would represent an 85% decrease from the current amount of SPTF resources being used by the IAF and a decrease of 49% in the total IAF budget for FY 1987. As noted above, the Fund will be totally depleted by 1994.

In summary, the rapid decrease in the availability of SPTF resouces means that the IAF program budget would have to be proportionately decreased to accomodate the continuing depletion of SPTF resources unless an alternative funding source is identified.

SPTF FUNDS AVAILABLE
OCT., 1986 - DEC. 1988

COUNTRY	AMOUNT ($ in 000)
Argentina	$7,907
Bolivia	1,704
Brazil	4,505
Colombia	717
Costa Rica	181
Dominican Republic	475
Ecuador	3,741
El Salvador	6,015
Guatemala	3,296
Haiti	77
Honduras	1,343
Mexico	53
Nicaragua	6,085
Panama	2,776
Paraguay	310
Peru	2,071
Uruguay	1,477
Venezuela	4,729
U.S. Dollars	746
TOTAL	$48,208

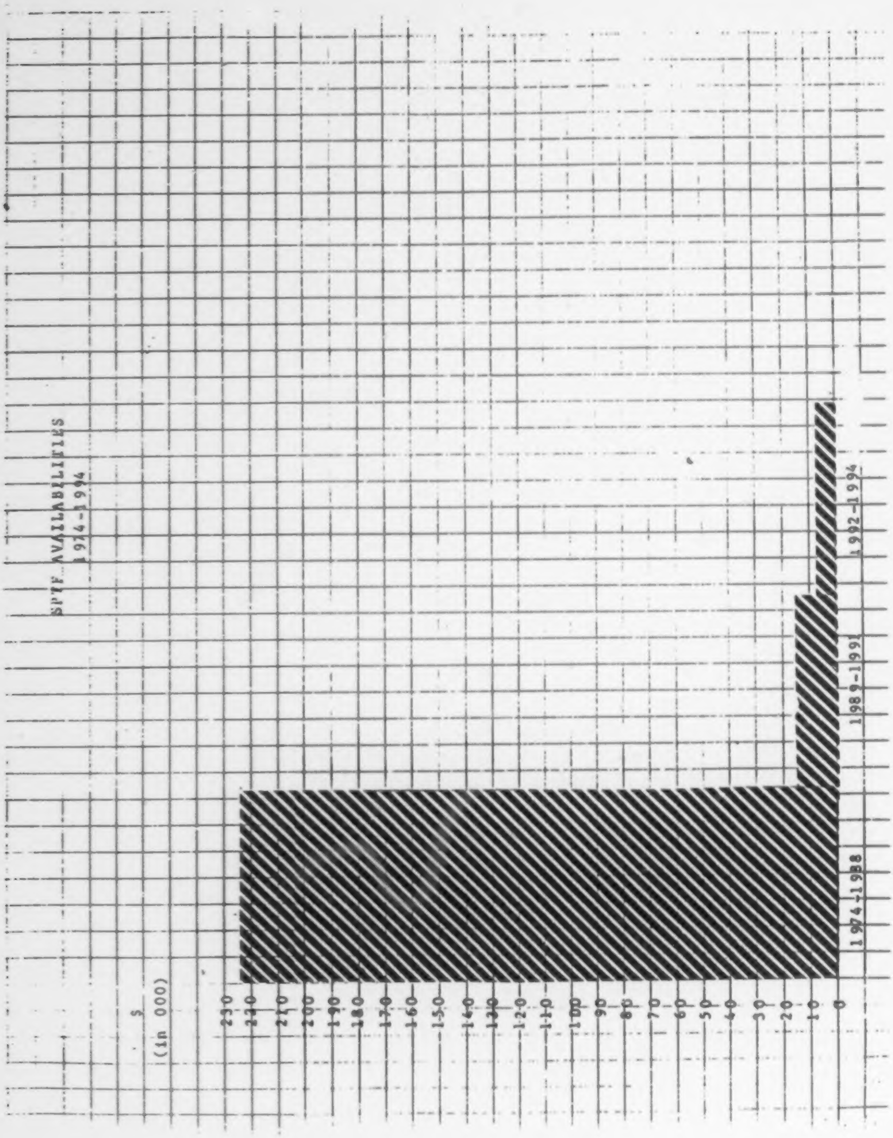
Attachment I

SOCIAL PROGRESS TRUST FUND (SPTF)
(Annual average; thousands of dollars)

	Available to IAF under agreements				TOTAL SPTF	
Country	1977-79	1980-82	1983-85	1986-88	1989-91	1992-94
Argentina	$1,468	1,768	1,500	2,567	330	228
Bolivia	333	800	733	500	491	288
Brazil	1,900	783	1,800	1,800	2,345	757
Chile	2,033	-	-	-	-	-
Colombia	1,767	1,800	1,500	383	561	198
Costa Rica	67	667	1,100	183	305	82
Dominican Rep.	800	633	333	233	173	12
Ecuador	733	950	1,767	1,006	970	463
El Salvador	67	700	500	2,047	1,594	1,127
Guatemala	167	767	633	973	970	594
Haiti	-0-	100	67	37	-0-	-0-
Honduras	33	833	333	603	131	82
Mexico	-0-	1,333	700	-	304	86
Nicaragua	-0-	700	1,267	1,947	240	94
Panama	1,733	933	833	572	56	-0-
Paraguay	333	450	267	83	248	248
Peru	3,533	1,933	2,100	657	586	78
Uruguay	1,033	850	567	333	382	-0-
Venezuela	-0-	-0-	-0-	2,003	-0-	-0-
U.S. Dollars	-0-	-0-	-0-	292	754	520
TOTALS	$16,000	$16,000	$16,000	$16,219	$10,440	$4,857

NOTE: 1977-1988 figures are for only IAF's share of SPTF under past and current agreements. The current 1986-88 agreement gave IAF about half of total SPTF. Figures for 1989+ are estimates of total SPTF availabilities.

Attachment II



NOTES:

1. The IAF was not permitted by the Brazilian Government to fund in Brazil from CY 1979-1982.

2. By resolution of the IAF Board of Directors, funding was suspended in El Salvador from CY 1976-1978 and CY 1980-1984.

3. It is estimated that approximately $8.5 million of the $48.7 million allocated in the CY 1986-1988 agreement will not be used. These funds are located in El Salvador and Nicaragua.

RESPONSES OF WITNESS TO QUESTIONS ASKED BY SENATOR HELMS

Q. To what extent has the Soviet Union supplied arms to Iraq and Iran during the course of the Gulf War?

A.

Soviet military assistance to Iran and Iraq since the beginning of the Gulf War are depicted in the following tables. (A) indicates military assistance agreements, with deliveries to occur subsequent to the signing of the agreement. (D) indicates actual deliveries in that year. (Iranian figures are available through 1986; Iraqi figures through 1985)

IRAQ

(million US dollars)

	(A)	(D)
1981	68.5	1245.7
1982	3002.9	1734.0
1983	102.9	1432.2
1984	3147.5	1868.1
1985	84.3	1085.1
TOTAL	6406.1	7369.1

IRAN

(million US dollars)

	(A)	(D)
1981	224.1	124.5
1982	11.1	144.7
1983	7.5	92.6
1984	0.2	5.0
1985	0	0.2
1986	0	0
TOTAL	242.9	367

3. Does Soviet arms activity in the Middle East indicate a desire to increase their influence over events in that region?

We believe that the Soviets are indeed using the supply of arms as one means to try and increase their influence in the region.

Q. Does the Administration support the convening of an international peace conference on the Middle East with Soviet and Chinese participation?

A. Our goal in the Middle East is a just and enduring peace between Israel and its Arab neighbors. Any such settlement would have to provide for recognition of and security for Israel, as well as the legitimate rights of the Palestinians.

Our immediate objective toward this end is direct negotiations between the parties, not an international conference. In fact, we have serious reservations about the proposal of a conference in which the regional parties and the permanent members of the United Nations Security Council would participate. Furthermore, the Soviet Union has not demonstrated in its regional policies any inclination to contribute in a constructive way to the goal of peace.

However, as President Reagan has stated, we are interested in pursuing all possible approaches to direct negotiations, including a peace conference. To be acceptable to us, any such conference would have to lead promptly to--and not interfere with--direct negotiations.

Q. At such a conference, how would the United States view proposals that Israel should return to its pre-1967 borders? How would the Soviet Union view such proposals?

A. The U.S. position on the final status of the West Bank and Gaza remains as set forth by President Reagan on September 1, 1982:

-- It must be reached through the give-and-take of negotiations.
-- Peace cannot be achieved by the formation of an independent Palestinian state in those territories.
-- Nor is it achievable on the basis of Israeli sovereignty permanent control over them.
-- It is the firm view of the United States that self-government by the Palestinians of the West Bank and Gaza in association with Jordan offers the best chance for a durable, just and lasting peace.
-- We base our approach squarely on the principle that the Arab-Israeli conflict should be resolved through negotiations involving an exchange of territory for peace. This principle is enshrined in U.N. Security Resolution 242. It is the United States' position that--in return for peace--the withdrawal provision of Resolution 242 applies to all fronts, including the West Bank and Gaza.

It is important to note that such fundamental issues relating to the final disposition of the West Bank and Gaza must be negotiated directly by the parties, i.e. Israel and a

Jordanian/Palestinian delegation, and not by the participants of a conference.

The Soviet position, as set forth by Moscow on July 29, 1984, is that "all the territories occupied by Israel since 1967--the Golan Heights, the West Bank of the Jordan River and the Gaza sector and the Lebanese lands--should be returned to the Arabs."

RESPONSES OF LORET MILLER RUPPE TO QUESTIONS ASKED BY SENATOR HELMS

QUESTION 1.

The General Accounting Office recommended last June (1986) that you take immediate steps to ensure that the head of the Office of Compliance report directly to you or your deputy. Have you taken such action? (Apparently not; the Director of the Office of Compliance reports to one of the three associate directors. The GAO found this practice --for the Peace Corps and certain other agencies --"unacceptable" and failed to provide "sufficient independence".)

If you have not taken such action, why not?

ANSWER 1.

While, as you note, the Peace Corps' Office of Compliance is organizationally located in the Office of Management, the Director of Compliance has direct access to the Director of Peace Corps with respect to all audit and investigatory matters which the Director of Compliance deems significant. We advised Representative Brooks, Chairman of the Committee on Government Operations in our comments on GAO Report AFDm 86-11, that we consider the safeguards we have built into our administrative system to fully protect the independence of the Office of Compliance, while at the same time meeting Peace Corps' need for an orderly, efficient and economical organizational structure. We believe we are in full compliance with the objectives of independence and access to the Director of Peace Corps for the investigative staff of the Peace Corps which were identified by the Comptroller General. We are providing for the record our formal response to the GAO report.

23 OCT 1986

Honorable Jack Brooks
Chairman, Committee on
Government Operations
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

We have received a copy of the General Accounting Office (GAO) report AFDM 86-11, "Internal Audit; Nonstatutory Audit and Investigative Groups Need to be Strengthened." In this report, the GAO recommends that we "take immediate steps to ensure that heads of audit units report directly" to the head of the agency or the deputy.

Our Office of Compliance, although located organizationally in the Office of the Associate Director for Management, does have direct access to me as agency head. The Director of Compliance has immediate and direct access, and direct responsibilities, to the agency head on any matters he deems important and particularly on matters relating to activities of the Office of Management. The independence of this office has been recognized and fully supported within the agency and within the Office of Management.

The Compliance Office encompasses audit, investigations, equal employment opportunity, and internal control functions. The focus of the audit program, as developed and carried out by that office, has been to identify any individual or system weaknesses in internal control systems and to assist managers in correcting those weaknesses. This has been a team effort involving all management components. Internal audit has thus been viewed as a management tool, as well as a housekeeping function. With its small employee population (1,000 employees worldwide) and limited budget ($130 million spread over 60 countries around the world, 18 domestic field offices, and the headquarters), and with over 50 percent of our budget allocated to personnel, which is controlled centrally, the vulnerability of the agency to waste, fraud and abuse is relatively limited in impact.

The Director of Compliance is a member of the Agency's Internal Control Committee, overseeing the implementation and maintenance of internal control systems in close coordination with Management officials. With respect to the work of the Committee, which is chaired by the Deputy Director of the Peace Corps, resolution of differences is usually handled at the Associate Director level, without reference to the agency head, although appeal to that level is clearly authorized by our regulations and internal procedures.

The major focus of our audit program is on our overseas operations. While these units operate under the administrative policies and procedures developed by the Office of Management, they are located organizationally under the supervision of the Associate Director for International Operations. The Compliance Office does, therefore, operate outside the staff or program management structures of activities subject to audit, for a major portion of its efforts.

We have reviewed the location of this office and have been unable to identify any indication that the audit function has been improperly influenced by Management officials. Nor has there been any indication that the independence of the office has been in any way limited, nor the access to the Director in any way constrained.

We remain sensitive to the concerns about independence of the audit and investigations function and constantly monitor our own operations to ensure compliance with guidelines in this area. We feel, however, that the current structure provides more than adequate protections while enhancing the role of the Compliance Office in assisting managers to identify and resolve actual and potential problems in internal control.

Sincerely,

Loret M. Ruppe

Loret Miller Ruppe
Director

QUESTION 2:

It is my understanding that you oppose legislation -- previously passed by the House and reported by the Senate Governmental Affairs Committee -- to elevate the Office of Compliance within the Peace Corps to Inspector General status. If this is so, why?

ANSWER 2:

Peace Corps' concern with the proposed legislation to elevate the Office of Compliance to Inspector General status has stemmed from concerns about the workload associated with full Inspector General status rather than from concerns about impacts on independence. With a relatively small budget ($130 million) spread over 50 overseas posts and 16 domestic field offices in addition to the headquarters operations in Washington, and with between one-half and one-third of the budget tied-up in relatively fixed personnel costs, we feel the vulnerability to waste, fraud, and abuse is small relative to the cost associated with a formal Inspector General operations. We feel the independence of the audit and investigative function can be, and is being, accomplished without such measures. Again, we refer you to our response to the GAO report.

QUESTION 3:

What would you think about the idea of allowing the staff of the Office of Compliance to be exempt from the 5-year rule, in order to ensure greater continuity in investigations and auditing?

ANSWER 3:

We believe that the Peace Corps already has adequate authority to provide continuity in its investigative and audit functions without exempting audit and investigative personnel from the five-year rule. The Peace Corps Act gives the Director the authority to extend an individual for one additional year. And in 1985, the Congress amended the Peace Corps Act to give the Director discretion in limited and prescribed circumstances, to provide for a third 30-month tour. The legislation specifically identified use of that description to promote "the continuity of functions in administering the Peace Corps" as one of the reason for granting a third tour.

Given the existing authorities, we believe that an exemption from current appointment limitations is unnecessary and even unadvisable as there are other offices that would certainly feel they performed equally important ond valid functions. Maintenance of a strong and effective audit and investigative program can be accomplished, and even enhanced, where there is flexibility in selecting individuals who can contribute the broader experience, different methods and new perspectives associated with new staff. Unlimited appointments for audit and investigative staff does not, in and of itself, ensure effectiveness.

QUESTION 1:

Is it accurate that the Peace Corps purchases subscriptions to Newsweek for all Volunteers? What is the annual cost of these subscriptions, and how many subscriptions are there?

ANSWER 1:

Peace Corps has since 1961 entered a subscription on a competitive basis to a news magazine published in the United States. In most of the countries in which our Volunteers serve, regular receipt of news about what is happening in the United States is not available, and especially in English, particularily in the remote locations in which most of our Volunteers serve. We consider it important that Volunteers remain aware of what is going in the United States so that they can inform the host country nationals regarding current American events, and the values of American democracy and the openess of our society. Volunteers, in the context of the second goal of Peace Corps, are often asked to comment on events in the United States and need to be aware of what is happening of note. Peace Corps purchases subscriptions to Newsweek for direct delivery to Volunteers overseas.

There are approximately 6,300 subscriptions, at an average annual cost of $330,000. The contract for this subscription is competed every three years, with Newsweek winning the competition in 1985. It should be noted that other major news magazines, such as U.S. News and World Report and TIME, have won the competitive bid.

QUESTION 2:

Would you outline how you distribute the reductions that were required in March, 1986 to comply with Gramm-Rudman-Hollings legislation? In particular, were there any reductions made in the travel and entertainment expense accounts? Were expenses for Volunteers affected? What was the impact on Washington staff versus the field staff?

ANSWER 2:

In allocating the reductions mandated by Gramm-Rudman-Hollings among Peace Corps activities, highest priority was given to minimizing the impact on Volunteers in the field. International travel in 1986 was severely curtailed, with several conferences cancelled and country visits by desk officers severely limited. Fewer Volunteers being sent overseas also reduced the amount spent on travel, however, Volunteer travel costs are included in the Volunteer support accounts. In addition, we reduced or eliminated headquarters activities in the areas of recruitment, Information Collection and Exchange publications and vehicle procurement. We also eliminated previously planned quality enhancements in recruitment, Volunteer training, and career transition services. We were also unable to initiate efforts to expand our current returned Volunteer listing from the current level of approximately 30,000 names. As you know, we have over 120,000 returned Volunteers.

Given the timing of the reduction (2nd quarter of the fiscal year), planning for the reduction was extremely difficult. The majority of Peace Corps' funding goes for support of our Volunteers overseas. Since Peace Corps has been on such a tight budget, the bulk of the reduction had to be taken through a reduction in the number of new Volunteers sent overseas. For this reason, we had to reduce our trainee input level by approximately 600 below planned levels.

Impacts on field staff were minimized with total overseas staffing levels seeing a slight increase through reprogramming of domestic positions. Peace Corps used only $1,740 of its $4,000 entertainment allocation in fiscal year 1986.

QUESTION 3:

Please detail the number, cost, and purpose of "consultation trips" by Peace Corps in each country during the past two fiscal years. Is it true that Peace Corps personnel regard such trips as "vacations"?

ANSWER 3:

Attached is a list of consultation trips conducted during the past two years. These consultations were authorized in response to requests for programming and training assistance made by Peace Corps staff and Volunteers in the field. The list shows that:

- During the past two fiscal years there were a total of 95 consultation trips.
- Half of these trips were undertaken by Peace Corps personnel. The other half were made by private consultants hired by Peace Corps.
- The average cost per trip was $3,414.

Peace Corps personnel do not regard these trips as vacations. Travel is often long and arduous complicated by frequent flight delays. Once in country, schedules are tightly constructed. Workshops, conferences, ministry meetings, and often complex extended travels upcountry hardly create a vacation atmosphere. Attached is a copy of a typical trip report which provides information on how our people spend their time when they are on assignment overseas.

CONSULTANCIES- INTERNATIONAL TRAVEL 1986

Curtis Gentry	PSC*	9/23-10/5/86	$2419.00	Quito, Ecuador: To prepare and deliver Beekeeping IST for 20 PCVs and 20 HCNs.
Gregory Thompson	PSC	9/27-10/31/86	$5134.00	Lesotho: To conduct TOT and design an inservice trng. for Ed. Volunteers.
Phil Jones Agriculture Specialist	Staff	9/22-9/30/86	$1608	Ecuador: Programming assistance

* Private consultants hired by Peace Corps

Bradley Hanson	PSC	9/23-10/6/86	$2000.00	Honduras: to design and conduct a technical water IST for PC/H.
Neil Bacon	PSC	9/29-10/22/86	$5481.75	Senegal: assessment and recommendations re. potential for expanded volunteer activity in small husbandry.
Rick Record Agriculture Specialist	Staff	9/3-9/18/86	$4011.00	Mali: Review performance of Mali/AFSI training contractor, discuss, and evaluate program with PC/M staff, volunteers, trainees and contractor, assist country staff in designing phase II activities.
John Guevin Education Specialist	Staff	8/26-9/12/86	$3612.00	Senegal: conduct and evaluate pilot test of Teacher Training.
Harry Rea Fisheries Specialist	Staff	9/21-10/8/86	$2172	Dominican Republic: evaluate PC Fish program with emphasis on PC/AID/Smithsonian Caribbean Crab project.
E.L.Torrans	PSC	8/20-9/11/86	$4895	Kenya: programming assistance
Joel Walker	PSC	8/21-9/15/86	$3500	Swaziland: Home Gardening IST
Donald Boekelheide	PSC	8/21-9/15/86	$4352	Swaziland: Home Gardening IST
Tonia Papke	PSC	8/17-9/5/86	$2878	Fiji: Technical assistance in delivery of PST workshop.
Phil Jones Agriculture Specialist	Staff	7/26-8/10/86	$3753	Swaziland. Evaluation of Agriculture program
Thomas A. Sheehan	PSC	7/15-9/12/86	$5516	Niger: textbook consultant for TEFL secondary ed. program.
Jacob Fillion Forestry Specialist	Staff	6/23-6/29/86	$2354	Ecuador: IST curriculum for agroforestry workshops in tropical and arid practicies.
Ross Kraemer	PSC	6/8-6/24/86	$4776	Sierra Leone: Training design workshop
Barbara Denman Women in Development	Staff	6/8-6/21/86	$4749	Botswana: to attend WID conference
Dagnija Kreslins Director/OTAPS	Staff	6/8-6/21/86	$4249	Botswana: to attend WID conference
Trish Heady Resource Dev. Specialist	Staff	7/1-7/16/86	$3408	Philippines: ICE Incountry Resource Center Workshop
Nancy Swing	PSC	7/1-7/16/86	$3077	Philippines: as facilitator for workshop
Phil Jones Agriculture Specialist	Staff	6/4-6/15/86	$2109	Dominican Republic and Jamaica: project assessments for the Caribbean Basin Initiative.
Jacob Fillion Forestry Specialist	Staff	5/10-6/5/86	$4000	Philippines: conduct IST for agroforestry volunteers
Sarah Ford	PSC	5/27-6/21/86	$4902	Benin and Togo: technical assistance in program development and training design

Trish Heady Resource Dev. Specialist	Staff	4/16-4/26/86	$1652	Jamaica: Incountry Resource Center Workshop
Colleen Conroy Health Sector Manager	Staff	5/16-5/31/86	$3511	Marshall Islands: PST training for 1st health volunteer input.
Ray Leki Stateside Training Coord.	Staff	3/27-4/8/86	$3228	Ghana: pilot test COS manual/workshop
Kathie Judge Education Specialist	Staff	4/5-4/18/86	$2719	Tunisia: conduct IST for Special Ed. Vols.
Lewis Brittain	PSC	5/10-6/3/86	$4209	Mauritania: technical training assistance in Arid Land Irrigation technologies
Harry Rea Fisheries Specialist	Staff	4/1-4/15/86	$3282	Italy and Tunisia: consult with FAO rep., assist with All-Volunteer conference in Tunisia.
Michael Goldberg	PSC	2/27-4/11/86	$7500	Tanzania: provide with expert consultant in SED
Jacob Fillion Forestry Specialist	Staff	2/16-3/8/86	$4447.94	Philippines: conduct training assessment and design IST
John Guevin Education Specialist	Staff	2/2-2/28/86	$4062	Nepal: Program Development in Teacher Ed.
Drew Lent	PSC	2/8-3/19/86	$4803	Mauritania: plan and implement Home Gardens IST
Irene M. Gaye	PSC	2/16-2/27/86	$1700	Belize: assessment of PST in SED
Michael Mercil Director/Training	Staff	1/20-2/9/86	$5072	Malawi and Mali: co-facilitate Africa Programming workshop on training issues for AFSI
Dorothy Leroux	PSC	2/12-2/21/86	$2700	Paraguay: IST in SPA design and management
Melinda Leahy	PSC	1/14-2/18/86	$5198	Benin: program evaluation and present agroforestry IST
Lawrence Leahy	PSC	1/14-2/18/86	$5198	Benin: program evaluation and present IST
Barbara Denman Women in Development Coord.	Staff	12/4-12/14/86	$795	Malawi: prepare and facilitate regional WID symposium.

CONSULTANCIES- INTERNATIONAL TRAVEL 1985

John Guevin Education Specialist	Staff	12/2-12/16/85	$2626	Mauritania: program design for EFL Teacher Training program.
Rick Record Agriculture Specialist	Staff	11/12-12/3/86	$3820	Sierra Leone and Burkina Faso: Assessment of training
Kathie Judge Education Specialist	Staff	11/10-18/85	$1706	Jamaica: Special Ed. IST
Irene Gaye	PSC	11/17-12/8/85	$3790	Eastern Caribbean: Pre-training research and design IST
George Gene Lamb	PSC	9/23-10/6/85	$2115	Ecuador: Programming support

Peter Kresge Director/Programming	Staff	9/23-10/1/85	$3275	Togo: design and deliver programming workshop
Barbara Denman Women in Development Coord.	Staff	9/3-9/30/85	$7266	Benin, Sri Lanka, Ecuador: to facilitate WID conferences
Randolph Adams Chief of Operations	Staff	8/19-8/22/85	$722	Dominican Republic: to attend IA country director's conference
Wayne Nishek	PSC	9/22-10/25/85	$2433.37	Honduras: to design irrigation technical PST for PC/Honduras
Michael Mercil Director/Training	Staff	8/19-8/22/85	$722	Dominican Republic: to participate in IA CD conference
Bradley Hanson	PSC	9/21-10/13/85	$2237	Honduras: to design and conduct a technical IST in area of water resource management
Roger Palm Fisheries Specialist	Staff	8/21-8/31/85	$1556	Costa Rica: attend regional fisheries conference; facilitate/lead sessions and advise in capacity as Fisheries Specialist and PC/Washington rep.
Eugene L. Torrans	PSC	8/21-8/31/85	$1836	Costa Rica: Crustacean and Agro-Aquaculture consultant for regional Fish conference.
Steven Malvestuto	PSC	8/21-8/31/85	$1503	Costa Rica: Marine and Inland Capture Fisheries Expert Consultant at regional Fish conference.
Michael Jenkins	PSC	8/19-8/31/85	$1181	Dominican Republic: To serve as technical trainer on dendrology for the PST.
Jacob Fillion Forestry Specialist	Staff	8/4-9/17/85	$3036	Dominican Republic: to act as lead trainer for the PST in the DR for trainees going to DR and Haiti.
William Eschenbach	PSC	8/26-10/14/85	$1600	PNG, Tonga: Programming assistance in Tonga in area of SED (and in PNG)
James Bell Water/Sanitation Specialist	Staff	8/10-8/26/85	$3941	Mauritania: to conduct pre-training research in the area of irrigation and wells development for design of IST.
Wes Burlingame	PSC	7/18-8/21/85	$5564	PNG: to plan and implement a Home Gardens workshop
Gloria Randa	PSC	7/18-8/21/85	$5156	PNG: to plan and implement a Home Gardens workshop
Bruce Burwell Forestry Specialist	Staff	7/7-9/16/85	$5176	Paraguay, DR: to arrive at site of Pre-Service Training for Paraguay; to present PST for DR and Haiti Ts.

Dagnija Kreslins Director/OTAPS	Staff	7/8-7/28/85	$4115	Kenya, Somalia: to attend UN's Women's Decade Conference; and discuss the possibility of a new program in Somalia
Barbara Denman Women in Development Coordinator	Staff	7/7-7/24/85	$4096	Kenya: to attend NGO Forum of the 1985 UN Decade for Women conference
Tom Sheehan	PSC	6/18-7/20/85	$2290	Niger: to serve as a textbook consultant for Niger's TEFL secondary education program
Phil Jones Agriculture Specialist	Staff	6/6-6/23/85	$3056	The Gambia: Agriculture Programming Assistance
James Bell Water/Sanitation Specialist	Staff	6/9-6/23/85	$2488	Morocco: to assist PC/Morocco in re-designing PST technical training due to lower skill levels of incoming trainees
Bruce Burwell Forestry Specialist	Staff	6/2-6/15/85	$2948	Paraguay: to perform pre-research for PST technical concentration session to be held in Paraguay.
Larry Jacobs	PSC	5/25-6/15/85	$2952	Ecuador: to conduct improved wood stoves workshop
Rex Adams	PSC	5/25-6/15/85	$4944	Lesotho: to conduct an IST in Poultry Production
Irene Gaye	PSC	5/24-6/18/85	$4103	Mali: SED consultation in Mali
Steven Evett	PSC	4/29-5/24/85	$3000	Lesotho: to conduct a program evaluation in small scale irrigation
Kenneth Hoyt	PSC	4/19-5/9/85	$4049	Niger: to conduct in-service training in food preservation
Roger Palm Fisheries Specialist	Staff	4/23-5/23/85	$5522	Benin, Togo, Burundi: to assist with aquaculture and marine fisheries project design and conduct marine fisheries pre-training research
Judith Elliot	PSC	4/12-5/13/85	$4302	Niger: to conduct a food preservation IST
Diana Talbert	PSC	4/16-5/16/85	$4401	Botswana: to act as facilitator for IST
Gary Laidig Small Enterprise Development	Staff	4/28-5/8/85	$1685	Ecuador: participate in planning sessions for Small Enterprise Development IST and to participate in first three days of IST
Gary Nabhan	PSC	4/21-5/8/85	$1775	Guatemala: to provide programming assistance in semi-arid forestry
Phyllis Jones Health Sector	Staff	4/24-5/6/85	$2135	Jamaica: to act as training coordinator for Jamaica Home Gardens IST and provide administrative support to training effort

Alethea Rudd	PSC	4/21-5/11/85	$3144	Jamaica: to plan/implement a Home Gardens IST program
John Guevin Education Specialist	Staff	3/22-4/12/85	$3371	Burkina Faso, The Gambia: IST and Education consultancy
Brad Dude	PSC	3/24-4/21/85	$4723	Burundi, Zaire: to coordinate cross-cultural workshop in Zaire for trainers
Steven Joyce	PSC	3/25-4/9/85	$2095	PL 480 food for work forestry assessment for IA region and observe large plantation PL 480 system approach
Bruce Burwell	PSC	3/31-4/17/85	$1450	Peru: PL 480 food for work forestry assessment
Michael Gibbons	PSC	3/19-5/16/85	$9023	The Gambia, Jamaica: to plan/implement a Home Gardens IST program in the Gambia and Jamaica
Miguel Jimenez	PSC	3/14-4/2/85	$2162	Ecuador: to conduct a post-harvest IST for PC/Ecuador
Jacob Fillion Forestry Specialist	Staff	2/7-3/2/85	$2426	Dominican Republic, Haiti: collect technical data, secure training site, secure HCN technical trainers, set up field trip exercises, develop draft design for an agroforestry pre-service training for 26 forestry T's
Joyce Stanley	PSC	1/25-2/5/85	$1635	Dominican Republic: to assist PC/DR with Women in Development IST conference and programming
James Bell Water/Sanitation	Staff	1/2-1/17/85	$1185	Dominican Republic: to provide programming assistance in PC/DR in water and sanitation
Martin J. Vincent	PSC	1/16-2/16/85	$3393	Haiti: to provide marine fisheries programming assistance to PC/Haiti
Steven Drew	PSC	1/14-2/10/85	$3706	Tunisia, Morocco: to offer programming and training assistance in marine fisheries

AGRICULTURE EXTENSION PROGRAM/TRAINING ASSESSMENT REPORT

PEACE CORPS/SIERRA LEONE
January 9, 1986

RICHARD A. RECORD
OFFICE OF TRAINING
AND PROGRAM SUPPORT

The purpose of this visit was to assess the effectiveness of both the training and programming aspects of PC/Sierra Leone's Agriculture Extension Program in terms of meeting the stated goals of the program, the skills needed to perform program tasks, and the capability of the program to meet the goals of the people of Sierra Leone. In order to accomplish the goals of this mission, visits were made to Volunteer Project sites and interviews were held with Program Volunteers, Peace Corps staff, the American Ambassador, Ministry Officials dealing directly with the program and officials from other development agencies. A visit to the Songo training site was also conducted and interviews were held with both the training staff and the trainees.

This program has, essentially, been in existence since 1974 and generally has been cited as one of Peace Corps most successful agricultural development programs, both in terms of programming and as a good example of in-country pre-service training. The major goal of the program is to promote increased local food production primarily in the area of rice, the country's chief staple grain. The program directly addresses the governments top priority development goal of achieving self-sufficiency in rice production through localized development of inland valley swamps. Within the coastal belt and inland plains lie an estimated 750,000 acres of swamp land which, if developed for rice production, could make Sierra Leone a net rice exporter. Several obstacles need to be overcome for the country to achieve its goals in staple rice production.

One of the primary disincentives restricting further development in this area is the government policy of price supports for imported rice. Farmers cannot compete at current market prices so confine production to meeting local needs. Although one of the governments goals is the industrialization of it's agriculture in Sierra Leone, until such disincentives are recognized and dealt with, it is doubtful that production levels on a national scale will increase to the expectations of the government.

Local food production, however, does have the potential to expand dramatically. Sierra Leone is a rich, lush country with tremendous water resources in the coastal belt and inland plains. The Peace Corps is in a unique position to deal quite effectively at this level. PC/Sierra Leone has developed several programs that have the ability to complement one another, particularly in expanding local food production capabilities. The Rural Food Production Program (RFPP) encompasses both inland valley swamp development projects and a degreed agriculturist working with the AID funded Alternative Crop Research and Extension (ACRE) project. An Inland Fisheries program has the capability of introducing small-scale fish farming projects within developed swamps. The Agricultural Education program seeks to introduce basic agronomic principles to students at the primary level. In addition the West African Rice Development Association (WARDA) a division of the Consultative Group for International Agricultural Research (CGIAR), maintains a research facility half way between Port Loko and Kambia. Unfortunately, the Ministry of Agriculture and Natural Resources (MANR) the agency under whose auspices this Peace Corps program operates, faces a number of critical problems. Interviews with supervisory personnel of the MANR cite key problems as:

- Lack of support, e.g. salaries, transport, training, technical support for extension workers
- Inappropriate placement of personnel, eg. workers are sometimes posted in areas where their cultural, ethnic, or technical backgrounds are a hinderance to their effective performance.
- Infrastructural problems beyond the control of MANR, eg. petrol shortage, poor communications, lack of agricultural inputs, and poor transportation systems.

Peace Corps has entered into a significant collaboration with Catholic Relief Services (CRS). CRS acts primarily as a funder of small projects and facilitates distribution of P.L. 480 foodstuffs in Food for Work programs. Peace Corps Volunteers in the RFPP frequently apply to CRS for funding due to the lack of financial or material support available from the MANR. CRS has also benefited the RFPP in developing quantitative assessment criteria for CRS funded projects. CRS has the capability of monitoring the long term effects of village based programs.

PC/Sierra Leone's current strategy is to have a Volunteer presence in a site for a total of six years. Progress can be mapped and evaluated during that term, but what happens to the project after the Volunteer presence is discontinued? The long term effect of the program has considerable bearing on future programming and training activities.

What is the potential of the program as it now exists? Over a six year Volunteer cycle, much can be accomplished at a local level if several conditions are met. Firstly, the local people must acknowledge that their local swamps are developable, while understanding not only the potential benefits, but also the considerable time and effort required to develop the swamp. They must also be aware of maintenance necessary after initial development, and be willing to attempt such an undertaking. Development of the swamp on a communal basis can serve as a focal point for further development. Once the swamps are developed, and here we are talking primarily of the installation of water control structures and contoured paddies, the hillsides can be developed using agroforestry and soil conservation techniques. Strip cropping can be conducted between rows of multiple use tree species and improved livestock production techniques may also be implemented. Another pressing need is for improved grain storage structures as post harvest grain losses can range anywhere from 20-40% or more. Once production exceeds local demand, the development of local marketing skills becomes important. Taking a cue from Farming Systems Research activities during the past five years, Volunteers in the RFPP can use small areas of the developed swamp to conduct demonstration trials of improved techniques, different spacings, and different varieties. The organization and maintenance of the developed swamp should be the responsibility of local participants in the project, the Volunteer serving the role of motivator, intermediary, and as one source of technical support.

The realities of the program do not always meet the potentials due to a number of reasons. Village motivation may be lacking, and villages may support a project primarily to please the Volunteer. Introduced methods or techniques may be quite disparate from traditional practices and participants may feel that they lack the technical skills necessary to employ improved methods. Thirdly, Volunteers may not have the skills or ability to adapt improved practices to local conditions.

These issues may be addressed initially and directly during pre-service training. Interviews with trainers, trainees, and current PCVs indicated a number of problems with the current village-based pre-service training design. Although cross-cultural and technical training dealing with rice and swamp development were cited as perhaps the most useful and best presented sessions, overall the Volunteers and trainers found the program unfocused, offering a smorgasbord of subjects, yet not dealing intensively with any. CRS project managers found that the Volunteers that they dealt with had a need for improved skills in project planning, identification of a local leadership, a better understanding of their roles as an intermediaries in the development process, and a need for increased self-confidence. The Director of the Integrated Appropriate Development Project (IADP) of the Northwest Region cited improved appropriate local training and increased community involvement as the key to agricultural development in Sierra Leone. The Senior Agricultural Officer of the MANR, Northwest Region, through a number of years of experience working with RFPP Volunteers, found that skill-trained generalists may play a key role in the early phases of development projects. This is particlularly important in view of the fact that the MANR is in a deteriorating condition. It should be noted that SAO's act as Regional Coordinators of Volunteer activities in this program.

Interviews with the training staff, trainees, and current Volunteers in the program provided valuable insights into the particular strengths and weaknesses of the pre-service training design and implementation. The technical staff, predominately skill trained generalists themselves, were admittedly weak in areas other than swamp development and rice production. The most commonly cited weak skill areas were in vegetable production and gardening, small animal husbandry, and the integration of Women in Development issues into their sessions. This was corroborated by both trainees and current Volunteers. The trainers and Volunteers felt that these were important technical areas because not all Volunteer sites are necessarily appropriate for swamp development. Visits to project sites and discussions with the Volunteers and villagers also brought to attention the need to address serious post harvest storage losses which are caused primarily by inadequate local storage structures. When questioned about the quality of training in this area, those interviewed responded that much improvement could take place.

A lack of integration between the technical and extension components was often cited as a serious problem in the overall program design. Extension was found to be very generic in scope and conducted without input from the technical staff, even in areas where the two are very closely linked in actual practice. Specific sessions that need to be seriously and closely reevaluated include:

Community Assessment - Agricultural aspects of the community are an essential consideration in any development project.

Introduction to RFPP - Not only the philosophical, but, also the technical objectives of the program need to be addressed.

Upland Farm and Swamp Tour - This session should be conducted in association with Technical staff to point out specific agronomic practices.

Land Tenure - What is possible technically in view of the land tenure systems of Sierra Leone; how do they impact on long term development goals.

Swamp Simulation - The technical staff can provide guidance in this session

Reporting and Record Keeping - This should be an introductory session and records maintained on all production and practical sessions, again in association with the technical staff.

Appropriate Technology - How does this relate to agricultural production and what are considerations for implementation?

Women in Development - Many gardeners in Sierra Leone are women and this thread should run through all technical sessions, preferably introduced early in the training program.

Inputs - What is available, how useful are they, how do they relate to the job, and when are they appropriate? Another session to be conducted in association with the technical staff.

The Extension component, as in many other training programs, tends to be a catch-all component, covering areas and topics that don't fit easily into either the technical, cultural or language components. In some cases, as in this situation, the basic goals and objectives of the component need to be analysed critically, support or collaboration drawn from the relevant components, and effective methods of presentation developed. A case for collaboration with the technical component, in these particular sessions, can be easily made.

The technical component covers a number of areas, but due to the lack of proficiency of many of the trainers, a more focused technical training dealing primarily with hands on technical training in swamp development, rice and vegetable production would allow for more thorough training and increase the skills levels of new Volunteers in these areas. Other aspects of crop production can be addressed specifically, if there is a need rather than in the scatter gun approach that has been followed. This further training could take place using technically qualified host country personnel in in-service trainings.

The language component was also highly criticized, primarily due to its heavy concentration on Krio and cursory treatment of local languages. As it stands, the training design currently in use is very appropriate for intensive training in Krio during the first half. Following the site visits during the middle of the program, the trainees will have been able to determine the major local language in their work area, and can concentrate on the appropriate language during the second half of the program. This does not necessarily imply that Krio training be discontinued during the second half of the program, but, rather, be continued on a more applied basis, i.e., during the extension practical group field days, in method demonstrations, in technical sessions, etc.

In view of the previous observations and comments as supplied through extensive interviews with participants in the program, the following recommendations are offered:

1. Arrangement with OTAPS of a PSC to be conducted following TOT for staff identified for 1986 PST. Contractor will work with staff to a) review and develop overall goals of program components, b) review and develop component objectives based on staff capabilities and utility in field, c) identify and explore with staff opportunities for collaboration, d) develop a checklist and overall agenda for pre-training activities, and e) develop a tentative program schedule and delegation of duties of all staff members.

2. Eliminate or reduce training activities that don't directly impact on job duties. For example, a number of hours of training time is devoted to fish farming. Peace Corps/Sierra Leone has an inland fisheries program with well trained Volunteers that can support PCVs in swamp development projects which have the capability to incorporate this aspect into the swamp design. PCVs in the RFPP need to know the minimum requirements for such a project and who and where the nearest fisheries Volunteer is to assess and support the project.

3. Focus technical training on swamp development, rice production, and vegetable production only. The use of work oxen is limited to only certain areas of the country. Small animal husbandry requires at least 50 training hours

for minimum technical competence, based on stateside training experience. Training in areas with which the trainees are not familiar, and most of these trainees have little or no agriculture experience or background, requires a maximum of hands-on, in the field instruction, and a minimum of theoretical lecture sessions to provide them with both competence and confidence.

4. In the relatively short time-frame in which this training is conducted, an effort to maximize learning time necessarily requires an effort to maximize component integration. The different components are compatible and intimately related.

5. Training sessions should follow an orderly progression; starting with the basic and moving to increasing complexity. Many of the technical sessions follow no such orderly progression and may lead to confusion.

6. To improve the overall competence of the technical component, it may be well in order that Peace Corps/Sierra Leone seriously consider host-country nationals with expertise in technical areas as lead technical trainers. Former MANR extension agents or teachers from Ngala University can shore up areas where the staff is admittedly weak and add increased credibility to the entire program.

7. The language component needs to be re-evaluated. There is obvious evidence that the Volunteers require more serious and intensive local language training.

8. Training should be regarded as an ongoing aspect of the overall program and timely, relevant in-service training should be delivered regularly throughout the Volunteer cycle, based on the actual technical needs of the program, as determined by the Volunteers according to local needs.

9. Radio communications between the training site and Freetown is both a blessing and a burden. The radio offers somewhat reliable communications in case of emergencies, but otherwise cripples the training staff which feels unable to make timely decisions without consultation of Peace Corps/Staff in Freetown. The leadership for the day-to-day operations of the training program needs to be more autonomous.

10. Trainees should be held more accountable and responsible during training sessions. Unexcused absences from training sessions are often grounds for early termination in many training programs, yet both trainees and trainers were concerned about the laxity in which this issue was held. In addition, trainees do have both the freedom and responsibility to give the training staff feedback about overall issues of the program, but are most often neither qualified nor experienced to negotiate training design.

In summary, the Peace Corps/Sierra Leone Agriculture Extension Program is probably one of the better conceived Peace Corps programs operating in the field today. It addresses well a number of programming concerns that other country staff have not always come to grips with. The program is an ongoing and far reaching approach to the development of the food production capabilities of Sierra Leone, provides much needed manpower for a deteriorating extension service, and meets the needs of both Volunteers and the people of the country at a grassroots, person-to-person level. The program has great possibilities for expansion both in numbers of Volunteers and in the scope of work the program addresses. The program, however, can and should be strengthened at the Volunteer entry level and this begins with high-quality pre-service and in-service training. In this area, there is a great need for improvement, and this sentiment is shared, not only by myself, but also with the trainers, trainees, Volunteers, and other organizations' officials that deal with this program.

In closing, I would like to express my regards and indebtedness to all those who helped in the preparation of this report. I thank them for their frank, open discussions with me concerning this program and hope that the result of this work will be a stronger, more effective program that will improve the lives of the people that this program affects.

PEACE CORPS/SIERRA LEONE

AGRICULTURE EXTENSION PROGRAM ASSESSMENT ITINERARY

NOVEMBER 14 - 24, 1986

THURS	November 14	-	5:30 p.m.	:	Arrive Lungi Airport (KLM)
		-	6:30 p.m.	:	Travel to Freetown
		-	10:30 p.m.	:	Settle into Hotel
FRI	November 15	-	8:30 a.m.	:	Initial Briefing with APCD Auman at Hotel
		-	11:00 a.m.	:	Introduction to PC.SL Staff
		-	2:30 p.m.	:	Call on Funders (CRS)
		-	3:30 p.m.	:	Meet with PCD Khan
SAT	November 16	FREE	FREE		FREE
SUN	November 17	-	8:00 a.m.	:	Depart for Kambia
		-	12:00 a.m.	:	Arrive Kambia
		-	1:00 p.m.	:	Visit Volunteer Site in Kambia (Doug Elliot)
MON	November 18	-	8:00 a.m.	:	Visit Volunteer Site at Bayande
		-	10:00 a.m	:	Visit MANR Kambia Office and IADP Office
		-	12:00 p.m.	:	Depart for Port Loko
		-	1:00 p.m.	:	Meet with MANR Port Loko
		-	4:00 p.m.	:	Return Freetown
		-	7:00 p.m.	:	Reception at Ambassador's Residence
TUES	November 19	-	9:00 a.m.	:	Brief APCD on SST
		-	1:00 p.m.	:	Review PST materials
WED	November 20	-	8:00 a.m.	:	Depart for Songo
		-	10:00 a.m.	:	PST Field Day
		-	2:00 p.m.	:	MANR/CRS/PC RFP Regional Meetings
		-	7:00 p.m.	:	Meeting with PST Staff
THUR	November 21	-	ALL DAY	:	Individual Meetings with Trainers
FRI	November 22	-	8:00 a.m.	:	Meet with Trainees
		-	10:00 a.m.	:	Swearing-in Ceremony
		-	1:00 p.m.	:	Luncheon
		-	2:00 p.m.	:	Return to Freetown
		-	3:00 p.m.	:	Final Consultation with CRS Project Officers

SAT	**November 23**	**- 10:00 a.m. :**	**Final Consultation with APCD Auman and PCD Khan**
		- 3:00 p.m. :	**Depart for Lungi Airport Hotel**
		- 6:00 p.m. :	**Settle-in to Hotel at Lungi**
SUN	**November 24**	**- 8:30 a.m. :**	**Depart Lungi (SLA)**

QUESTION 4:

Please outline the number and cost of conferences conducted during the past two fiscal years. What was the proportion of Peace Corps personnel, other U.S. personnel, and foreign nationals in attendance at such conferences?

ANSWER 4:

In FY 1986, the Peace Corps conducted 16 conferences or workshops, at a total cost of $422,000. Subjects for conferences included fish culture, oral rehydration therapy, resource center development, training, programming, administration, and medical continuing education. Approximately 612 persons participated in these conferences, about 50 percent of whom were Peace Corps staff and Volunteers. About 12 percent were host country nationals, and the remainder were from private voluntary organizations, international development organizations, AID, and the private sector.

In FY 1987, the Peace Corps conducted (or plans to conduct) 21 conferences or workshops, at a total cost of $1,498,000. Subjects for conferences include water, food production, health, growth monitoring, language, resource center development, programming, administration,recruitment, and medical continuing education. Approximately 827 persons are expected to participate in these conferences, about 80 percent of whom will be Peace Corps staff and Volunteers, with about 10 percent host country nationals and the remainder a mixture of private voluntary organizations, AID and international development organizations.

QUESTION 5:

What is the policy with regard to further assignments for Peace Corps personnel who are arrested and charged with crimes in countries to which they are assigned?

ANSWER 5:

Peace Corps actions with respect to further assignments for such individuals is handled on a case-by-case basis, taking into consideration the nature of the charges, the rights of the individual who has been charged, and the ultimate disposition of the case. Ordinarily, the Peace Corps would await final disposition of the charges before determining whether disciplinary action is warranted, but in cases in which the Peace Corps determines that the presence of the individual may constitute a danger to persons or property, the Peace Corps has authority to institute immediate suspension action. In some cases, the Peace Corps may require the departure of an accused person who has not been convicted from the country because the continued presence of the individual in the particular country would not be in the best interest of the Peace Corps program or the United States, or may be requested by the country in question. In such cases, consideration would be given to reassignment if such a course of action was consistent with the interests of the Government.

QUESTION 6:

What problems have been reported concerning drug use by Peace Corps personnel? What disciplinary actions are taken when drug use is suspected or confirmed?

ANSWER 6:

No incidents of drug use among Peace Corps employees have been substaniated during my time at the Peace Corps.

In compliance with law, and under guidelines established by the Office of Personnel Management, the Peace Corps has established an employee assistance program which recognizes alcoholism and drug abuse as treatable health problems, and makes counseling, referral and other rehabilitative services available to employees who need them. If an employee refuses assistance, or if his or her job performance is unacceptable, disciplinary procedures, up to and including termination of employment, may be invoked. If an employee is dangerous or disruptive in the workplace, disciplinary action may be commenced without first referring the employee to the assistance program.

Since our overseas employees do not have diplomatic immunity, a request by a host country government for removal of an employee based on alleged drug use would be thoroughly investigated, and if the allegations prove to be unfounded, action could be taken by this agency to reassign the individual.

QUESTION 7:

Please outline which countries have been granted increases in funding after the start of the fiscal year, and in which cases this was because of the country office being over budget?

ANSWER 7:

Nearly all of our posts have been granted increases in funding since the start of the fiscal year. These increases in funding supplement the original administrative budget which are provided to each post at the beginning of the fiscal year. These increases have been provided for various reasons, such as Volunteer living allowance increases, inflation/price increases in country, fluctuations in exchange rates, program size changes, cost-of-living (COLA) salary increases, and travel costs. Exceptions to this are our posts in Guinea Conakry, Malawi, Rwanda, Liberia and Zaire which have not been granted any increases because their budgets were able to absorb the cost increases. On the whole, increases in funding averaged 1-2 percent of each posts' budget.

Among 48 posts this year, none have been over projections through the second quarter with the exception of Paraguay, Jamaica and Sierra Leone. (Over projection in this sense means an over obligation of U.S. funds for each quarter for that particular post, and does not relate to Peace Corps' budget overall for any particular period.) Paraguay was shown to be over obligated through the second quarter by $20,000 due to accounting errors in salaries which have been identified and are being corrected. No adjustments have been made to their annual budget because of this. Jamaica was over obligated through the second quarter in volunteer support by $1,500, but no adjustments have been made to their annual budget. Sierra Leone was over obligated through the second quarter by $78,400 because of a Volunteer training supply order which caused that post to exceed their budget authority for that quarter. In this case, additional funding authority is being requested by this post to cover the supply costs.

Given Peace Corps' small overall budget, any over obligations or errors in accounting are taken very seriously, and steps are immediately taken to ensure responsible accounting practices.

QUESTION 8:

Please outline how many times auditors have been sent to various countries to investigate budgetary, management, or contracting issues. How much money has been recovered following audits by the Office of Compliance or any other audits during your tenure, by fiscal year?

ANSWER 8:

The primary mission of the Office of Compliance is to examine the various entities of the Peace Corps to ensure that management operations are conducted in accordance with Peace Corps and Federal regulations. to accomplish that mission, the Office of Compliance conducts management reviews and audits of our overseas and domestic operations. The reviews/audits have been scheduled so that each Peace Corps post is visited by Compliance at least once every thirty months. However, since FY 1987, new criteria are being applied so that posts which appear to be having greater difficulties are visited more frequently. In addition, the Office of Compliance has become more involved in auditing our contracts, both domestically and overseas. In FY 1988, the Office of Compliance will embark on an experimental program to conduct more cost-related audits of Peace Corps.

In addition, in 1987, Peace Corps began developing an all-encompassing internal control questionnaire which is being sent in phases to all of our country directors for action. Once the results of those questionnaires are received, we will be able to indentify those areas which appear to be most vulnerable to waste and fraud, and begin to plan countermeasures to address those deficiencies.

Since 1982 (when Peace Corps split from ACTION), the Office of Compliance has conducted 130 audits/management reviews: 15 in 1982, 5 in 1983, 33 in 1984, 30 in 1985, 23 in 1986, and 24 in 1987 (as of 4/16/87).

The Office of Compliance does not maintain information relating to dollars recovered as a result of audits. When fiscal irregularities were identified, the matter was referred to the investigative unit for action.

In addition to audits conducted by the Office of Compliance, the Contracts Division, using the services of the Defense Contract Audit Agency and the Department of Health and Human Services, has had audits conducted of various Peace Corps contractors. Amounts reported by that office for FY 1981 to FY 1987 are: $233,448 refunded, $67,142 in collectibles.

Since FY 1982, the Office of Compliance has opened 79 investigations into allegations of wrongdoing.
The results by fiscal year are:

FISCAL YEAR	OPENED	CLOSED	PENDING	RECOMMENDED RECOVERIES	EMPLOYEES RESIGNED	EMPLOYEES FIRED
Carryover from ACTION (1982)	3					
82	12	6	12	-	-	-
83	15	15	13	$ 2,539	1	2
84	17	22	8	59,244	3	1
85	17	7	18	107,923	1	-
86	11	3	27	1,340	-	-
87 10/1/86 to 3/31/87	4	1	25	-	-	-
TOTALS	79	54	25	$171,046	5	3

25 investigations were pending as of 3/31/87

Complaints: On 4/1/86, Compliance changed its recording system so that all allegations are first recorded as complaints and only carded as investigations, if warrented.

COMPLAINTS

	OPENED	CLOSED	CONVERTED TO INVESTIGATIONS	PENDING
FY86 4/1/86 to 9/30/86	29	6	8	15
FY87 10/1/86 to 3/31/87	20	10	5	20
TOTALS	49	16	13	

20 Complaints were pending as of 3/31/87

RESPONSES OF MRS. SZEKELY TO QUESTIONS ASKED BY SENATOR PRESSLER

QUESTION NO. 1

Mrs. Szekely, you've been President of the Inter-American Foundation for two and one-half years now. What about the Foundation has made the greatest impression on you in that time?

ANSWER

When the Inter-American Foundation was created, it occupied a unique place among United States development assistance agencies. It represented an alternative approach to the large-scale development efforts being undertaken by the United States in the 1960's and early 1970's. It occupied a special niche, working people to people, with local Latin American and Caribbean organizations to create real opportunities for the democratic participation of the poor in their own development, for economic growth, and for social change.

The Foundation was expected to take what it learned and to distill this information into forms that could be applied by other Latin American and Caribbean organizations and development agencies to the problems that they were addressing.

What has impressed me most during my tenure as President has been the Foundation's success in carrying out its objectives. It has succeeded in reaching the people and the organizations with which foreign assistance programs seldom deal. This has been possible, I believe, because the Foundation has established lasting relationships, based on mutual trust and confidence, with a great network of concerned people -- educators, professionals, businessmen, and community leaders. These people not only created but continue to support many of the organizations which have worked with the Foundation over the past fifteen years.

It has also been possible because the Foundation has chosen to operate much like a small boutique, rather than as a large wholesaler. This extra measure of person-to-person service has been paid back handsomely in the form of enhanced grantee self-esteem, perseverance, and dedication to the self-help ideal.

QUESTION NO. 2

Do you feel that the Foundation's grassroots approach should be expanded or replicated elsewhere?

ANSWER

I know of no better way to reach the poorest of the poor whether in America, Africa, or Asia than by using the methods pioneered by the Inter-American Foundation. Because these methods have proven effective time and time again, I am confident that they can be applied successfully in other regions and cultures. Certainly, it is the most cost-effective way for the United States Government to provide foreign assistance to people in need.

The Foundation's grassroots development approach is being utilized in Africa by another United States Government development assistance agency, the African Development Foundation which was modeled after the Inter-American Foundation. From time to time, the officers of both agencies meet to share project experiences and common concerns. It is clear from these meetings that grassroots development makes just as much sense in Africa as it does in Latin America.

The Foundation's approach has yet another important value. It helps to sustain citizen initiative and democratic principles in the developing world. It would seem to be in our country's best interests to support this kind of sustainable, long-term development in as many settings and under as many circumstances as possible.

RESPONSES OF ANNE WROBLESKI AND ELLIOTT ABRAMS TO QUESTIONS ASKED BY COMMITTEE

ADMINISTRATION OF JUSTICE

Q: The bill also contains provisions which would significantly broaden the standard under which assistance may be provided to nations to improve their administration of justice, by repealing the requirement in current law that such assistance be limited to programs under judicial or prosecutorial control. Why is such a repeal sought?

A: As interpreted by the AID General Counsel, the current law does not limit assistance to enhance investigative capabilities to programs under judicial or prosecutorial control but rather to individuals under judicial or prosecutorial control when performing as criminal investigators. Our purpose in proposing deletion of the reference to "judicial or prosecutorial control" is not to broaden the scope of present authority to train criminal investigators but rather to eliminate imprecise language which is hard to relate as a factual matter to the situation of investigators in most countries in Latin America and the Caribbean.

In the civil law countries of Latin America, as opposed to the common law countries of the English-speaking Caribbean, investigators are with very few exceptions members of the police or security forces who, when they are engaged in the actual investigation of a particular case, are under the supervision of a judge. This follows from the fact that in civil law countries, judges -- as opposed to prosecutors in the United States -- have formal responsibility for investigating crimes. Thus, by the very structure of the legal systems in these countries and their current practices, investigators are under "judicial control" for the purposes for which training authority is given in Section 534 of the Foreign Assistance Act.

In contrast, in the English-speaking Caribbean, there is a system of "police prosecutors," in which a police officer conducts the investigation, decides whether to prosecute and then presents the case himself in court. Here there is no distinction between the police investigator and the prosecutor; they are one and the same. The investigator may go to an independent Director of Public Prosecutions for advice, but he is the prosecutor of the case. The intended limitation on police training that the officers be "under prosecutorial control" has no meaning in this situation.

For this reason, in addition to seeking to expand the scope of authority for training and other assistance, we are seeking to delete the reference to "judicial or prosecutorial control" which presently hangs over -- but does not limit in any meaningful way -- the training for criminal investigators in Latin America and the Caribbean authorized by Section 534(b)(3). The effective limitation on police training contained in the present law is given by its exclusive reference to "investigative capabilities," which assures that the only area in which assistance is given is that which directly supports the judicial system and not general law enforcement capabilities. Such limited police training is included within the administration of justice program to enable more professional disposition of criminal cases by the courts through use of modern scientific evidence.

Q: Section 511(1) of the Administration's bill appears to significantly broaden the activities intended to be undertaken in the Administration of Justice program. What additional activities are contemplated? What agency or agencies of the U.S. government will be responsible for each of these activities? What specific training do you propose to undertake that is prohibited by the requirement that programs be under judicial or prosecutorial control?

A: The change in language in Section 534(b)(3) which we are seeking -- which would authorize "programs to enhance investigative, forensic, rehabilitation and related ancillary functions integral to humane and professional systems of criminal justice" -- is intended to effect a modest adjustment in the scope of the program to bring the entire criminal justice system within it.

Our principal objective is to carve out a larger exception to Section 660 for the administration of justice program to enable appropriate experts at the Department of Justice -- primarily within the Federal Bureau of Prisons -- to determine how this government should respond to the requests for assistance in the area of prison reform which we have received from literally every Minister of Justice in the democratic countries of Latin America. Prison reform is a top priority for each of them, and our inability to respond in any way to date has created a very undesirable gap in a program which otherwise has been very well-received throughout the region. We hope to be able to offer -- through appropriate regional institutions such as ILANUD in San Jose, Costa Rica -- the training and advisory services of the Federal Bureau of Prisons. We do not contemplate offering to assist in meeting the major infrastructure needs which exist throughout the region.

The word changes proposed are intended merely to clarify that forensic medicine is an important part of the "investigative capabilities" which we are already addressing under the present language, to include rehabilitation functions within the ambit of the program, and to allow for limited assistance outside the specified areas but supportive of them ("related ancillary functions") where the purpose of such assistance will be to advance humane treatment and professionalization of officials working in these areas. The Department of Justice would continue to be the agency responsible for conducting all training or other activities under the proposed new language. As explained in the prior answer, we are not seeking any expanded authority in the area of training for criminal investigators.

Q: Section 511(2) would waive Section 660 entirely for activities undertaken under the auspices of regional or multilateral programs. Which countries will be affected by this provision which could not otherwise participate in the Administration of Justice program?

A: Section 511(2) would waive Section 660 for activities enumerated under the administration of justice program and in addition would waive other provisions of law where necessary to enable all relevant countries to participate in regional and multilateral projects and activities. The latter provision would enable inclusion of Argentina, Brazil, and Guyana in regional administration of justice projects and would potentially apply to countries such as Peru, which may be expected to go into arrears again on repayment of their foreign assistance obligations. It would not, of course, bring within the administration of justice program any of the non-democratic countries of the region which are excluded as a matter of policy and not statutory prohibition.

Q: Outyear Authorizations Provided. When Congress enacted legislation in 1985 (The Central American Democracy, Peace, and Development Initiative), pursuant to recommendations of the Kissinger Commission, it included authorization of $1.2 billion in non-military assistance for FY 1988 and FY 1989 for Central America. Is the $845 million in non-military aid to the region which is set forth in the Administration's request additional authority for the region over and above the $1.2 billion authorization already in existing law, or is it merely a description of the manner in which $845 million of the $1.2 billion will be used? How do you intend to utilize the remaining existing $355 million in authority for Central America?

A: On March 3, the President submitted to the Congress, at the Congress' request, a report on "A Plan for Fully Funding the Recommendations of the National Bipartisan Commission on Central America". (The Bipartisan Commission is known also as the Kissinger Commission.) In that report, the Administration proposed extending the Central American Democracy, Peace, and Development Inititiative (or the Central American Initiative (CAI)) by three years to 1992. The proposal would increase originally-recommended funding levels, i.e., $6.4 billion for the five-year period 1984-89, by a modest $500 million, i.e., to $6.9 billion for the eight-year period 1984-92. This three-year extension would help ensure that: a) there is a solid trend in all the countries toward increased democratization; b)the region's economies are stabilized; c) essential policy reforms are in place; and d) there is broader participation in the benefits of economic growth.

It is true that we have requested less assistance for Central America for FY 1988 than was authorized by the Congress under the CAI. This is consistent with budget considerations and it also reflects the pace of policy reform in Central America. Much of this assistance would be conditioned on taking steps such as adjusting exchange rates to market values and on adopting trade, price, tax, and regulatory policies which lead to increased investment and growth. Implementing these policies takes time and that is another important reason for stretching out the CAI for an additional three years.

(NOTE: Our records indicate that the Adminstration requested $833 million in non-military assistance for Central America for FY 1988, not $845 million as cited in the question.)

Debt Moratoria

Q - Despite the so-called Baker Plan which was put forward in October of 1985, external debt problems of the countries in the region continue to be increasingly problematic. Officially and unofficially, a number of countries such as Brazil, Ecuador, Peru, and Costa Rica have either ceased payment on their debt obligations or have severely limited the quantity of foreign exchange they are prepared to devote to such payments. Is it time to rethink our strategy with respect to the debt dilemma? Should the U.S. consider measures to substantially improve the length and terms of official debt reschedulings to ease the burden on these countries? What measures can be taken to improve the commercial banks' performance in this area?

A - We believe that despite continuing debt-related problems of individual debtor countries, the Program for Sustained Growth is working. Our enhanced approach to managing LDC external debt and other economic problems focuses on what we see as the fundamental prerequisite for solution of the debt problem -- sustained non-inflationary growth in the debtor nations. Our estimates are that real growth in the major debtor countries will rise to 3.5 % in 1987, the highest level since 1980. A key accomplishment of the debt strategy has been the increasing recognition by the debtor nations that sustained growth cannot be achieved without both sound macro-economic policies and wide-ranging structural reforms.

At the same time, the Program for Sustained Growth provides a broad framework for encouraging policy reform, which is fundamental for achieving growth and managing the debt burden. Using a flexible, case-by-case approach, the strengthened debt strategy permits all those involved - creditors, debtors and multilateral financial institutions - to look at the different causes underlying payment problems experienced by individual countries and fashion appropriate policies to resolve these problems.

The U.S. debt initiative has received broad international support from debtor as well as creditor nations, the international financial community and the commercial banks. Since the Program for Sustained Growth was launched in October 1985, the IMF and the World Bank have approved nearly $12 billion in new loans to the major debtor countries. Much of this lending is in direct support of debtor country economic reform. In addition, official creditors have rescheduled $14.5 billion in outstanding loans through the Paris Club. This informal group of creditor countries has shown considerable flexibility in negotiating rescheduling arrangements appropriate to a variety of individual country situations.

Over the same period of time, the commercial banks have rescheduled over $70 billion in outstanding debt. Progress on new commercial bank lending, however, has not been as rapid as hoped for. But the process has begun in several countries, of which Mexico is the most notable example. We are also pleased to see increasing debtor country recognition of the need to improve climates for private investment -- both domestic and foreign. One important recent innovation is the debt/equity swap. Such swaps are underway in several countries and the debt conversion process is being formalized in several others.

Q. Police Training: What accomplishments can you point to in the current rather limited program authorized by Congress for police training in El Salvador, Costa Rica, etc. that would justify what essentially is a repeal of the Section 660 police training prohibition?

A. The limited waiver authorized by Congress for police training has allowed us to accomplish a great deal, especially in El Salvador. Since February 1986 we have trained more than 2,000 non-military police officers in basic and counter-terrorism skills, as well as community relations skills. This training has markedly improved the professionalism of the public security forces and their respect for human and civil rights. A detailed discussion of the program in El Salvador is attached.

To date, we have not carried out any training with Honduras under the limited waiver authority. Discussions regarding a possible program have taken place, but we are still awaiting a specific proposal from the Honduran government.

Costa Rica must be regarded separately because it does not have an army. The Public Security Forces perform both military functions (border patrol) and police functions. Since the anti-terrorism training program began in 1984, we have trained more than 300 members of Costa Rica's Public Security Forces and given sixteen different courses including hostage negotiations, terrorist analysis, senior crisis management, post-blast investigation, building security, court security and police academy development. Selected Costa Ricans are currently taking a course in advanced civil aviation security and are scheduled to take a course in airport police management training. Costa Rican investigations have improved as a result of U.S. Government training. A recent episode in which a grenade exploded outside the U.S. Embassy in San Jose was handled expertly. Telephone calls threatening bomb explosions frequently target Government of Costa Rica buildings as well as the U.S. Embassy. The Public Security Forces are well trained in coping with these difficult and potentially dangerous episodes. While the accomplishments we experienced in El Salvador lead us to believe that an expansion of the authority to provide police training is justified, our proposed amendment is based primarily on what we see as inadequacies in the current law. Our present authority is fragmented, allowing for training in areas such as narcotics, anti-terrorism and criminal investigation for the courts. But there is a need for assistance to promote the development of a cohesive program in resource-poor democracies. An effective and humane law enforcement effort, accompanied by a functioning judiciary, is an essential attribute of a democracy. Citizens must have confidence that disputes can be resolved through an effective criminal justice system. Allowing training for democratically elected civilian governments will enhance our ability to asssits the development of mature democracies.

El Salvador - Police Training

Since February 1986, the Administration has provided police counter-terrorism assistance under the two-year exception to Section 660 of the FAA of 1961 to more than 2,000 non-military police officers of the public security forces. The training, which concentrated on basic and counter-terrorism skills, as well as community relations skills, was conducted by 38 Salvadoran trainers under the supervision of three U.S. military trainers. Funding sources were unobligated FY 1984 and 1985 Foreign Military Sales credits (FMS-C) and FY 1986 Military Assistance Program (MAP) funds. Approximately $600,000 (MAP) was spent on training costs and $2.5 million (FMS-C) on equipment which consisted of vehicles and communications equipment. In FY 1987, we expect to obligate approximately $5 million of already authorized MAP funds under Section 660(d) to training and equipment for the police.

The training itself includes instruction on police/community relations and civil rights presented by chaplains, lawyers and psychologists, which compliments a theme reinforced throughout the course of the need to develop a positive image with the public, through respect for human and civil rights, personal integrity and pride in the institution. Other coursework includes urban counter-terrorism operations, marksmanship, patrolling, physical training and communications.

The effectiveness of the assistance, in conjunction with new personalities in charge of the public security forces (National Police, Treasury Police, and National Guard), can easily be seen in the new professionalism of the police, improved abilities in dealing with hostage and urban terrorism situations, vastly improved accountability for abuses of authority, and the restraint with which the police have handled violent demonstrations.

Professionalism: During the October 10, 1986 earthquake, which left up to 250,000 homeless, the public security forces were deployed to maintain public order. There were no instances of serious looting, rioting, or other public disorder and there was no blood shed in the maintaince of order. The police are strictly adhering to legal procedures regarding arrests and notification of human rights organizations of those arrests. During the past two years, virtually all of the Amnesty International Urgent Alerts regarding individuals allegedly "abducted" by the police forces were in reality legal arrests reported to the International Committee of the Red Cross (ICRC) and other monitoring organizations. "Disappearances" by the police, once routine in El Salvador, no longer occur. The police are now fully uniformed, with identifying nameplates and have adequate transportation for patrolling and immediate reaction. The Treasury Police, once notorious for their human rights violations, are now considered the most professional of the police forces. In designing and building new detention facilities to replace decrepit and unsanitary jails, the Treasury Police consulted with Church officials and the ICRC for suggestions. As a corollary to U.S.-provided training, the public security forces have initiated their own, GOES-funded human rights training for all members of the police forces. The coursework is based upon the Universal Declaration on Human Rights and is taught by members of the ICRC and the Church. Maria Julia Hernandez, the director of the Archbishopric's legal aid office, Tutela Legal, has said that one of the best things the GOES has done to improve human rights has been to give training to the police and armed forces.

Hostage situations and urban terrorism: In March 1987, two heavily armed youths, with possible connections to the FMLN guerrillas, took over a school with more than 900 students and teachers while fleeing from police. The public security forces conducted themselves superbly, containing the situation and preventing any loss of life while government and religious officials negotiated the release of the children and, finally, the bloodless surrender of the youths. Prior to this incident, members of the National Police discovered and pursued armed guerrillas in the vicinity of the U.S. Embassy, killing one who fired on them. In mid-1986, the intelligence divisions of the security forces uncovered a plan to attack the U.S. Embassy with shoulder-launched rockets. They arrested the conspirators and broke up the plot without any loss of life.

Improved respect for human and civil rights: The police are subject to dismissal and prosecution for abuses of authority. During the past two years, 206 members of the security forces have been dismissed and consigned to the civilian courts for various crimes, including kidnappings, murders, rapes, and assaults against civilians. 1,801 have been dismissed for infractions and abuses of authority. The United Nations Special Representative for Human Rights in El Salvador, in his most recent report issued in Geneva during March 1987 stated that alleged death squad assassinations, if they occurred at all, "are in no way connected with high-ranking military personnel." He also said that though there are indications that some security prisoners "have been subjected to psychological pressure,...this does not represent a systematic practice on the part of the Salvdoran authorities."

Restraint. Over the past two years the National Police have dealt with increasingly violent student and labor unrest in a highly professional manner. In the past several months there have been increasing attacks on police officers in the capital city and several marches and demonstrations by virulently anti-government labor and student groups. Despite these attacks and provocations by militant, leftist demonstrators armed with clubs, who have broken through police lines, lobbed objects over the walls of the U.S. Embassy, stoned the President's motorcade on the National University Campus, set up road blocks, and set fires in the streets, there have been no cases of deaths or serious injuries caused by the police. This is in stark contrast to police reaction to marches and demonstrations in 1979 and the early 1980s.

Q. What is your understanding of the circumstances leading to Congressional adoption of the Section 660 prohibition on police aid?

A. The Senate Foreign Relations Committee report on the Foreign Assistance Act of 1974, (by which Section 660 was enacted) states that U.S. participation in the sensitive area of public safety and police training unavoidably invites criticism from persons who seek to identify the U.S. with every act of local police brutality or oppression in any country in which this program operates. The proponents of the original prohibition felt that regardless of whether such criticism was justified, the entire foreign aid effort would be stigmatized, and Section 660 reflects their belief that "in undeveloped areas of the world the costs of public safety programs are better left to be underwritten from local resources".

We fully recognize Congressional desire to protect the U.S. from unwarranted accusations of complicity with acts of brutality and violence in other nations. However, we believe it was and is unrealistic of Congress to expect that "undeveloped" countries would have the level of resources necessary to establish and support an effective and humane law enforcement effort. We must also remember that in looking at undeveloped areas in 1974, dictatorships or military regimes governed sixteen countries in Latin America. Today only five, including Nicaragua and Cuba, fall clearly into this category. Today, democratic governments which must answer to the people exist in the majority of countries in Latin America. Many of these governments recognize their own deficiencies in terms of police professionalism which can lead to abusive practices.

They also recognize that a fundamental approach to achieving professionalism in law enforcement is to develop the skills of law enforcement personnel, which increases their confidence in following acceptable and human rights oriented practices.

The proposed amendment seeks to provide training to develop and refine such skills, consistent with the objectives of democratic government. In Latin America, for example, it would allow us to assist Bolivia, Peru, Colombia, and other countries which are already engaged in anti-narcotics and anti-terrorist activities, to improve and consolidate their entire law enforcement efforts within their criminal justice system. It would permit us to continue the kind of assistance we are already providing to certain Central American nations, and it would permit police training for several Caribbean island nations which do not fall within the tight restrictions of the present waiver.

Q. Changes in Existing Waiver Authority for Aircraft Safety Equipment

The Administration's bill would seek changes in an existing provision of law which already permits the provision of safety-related equipment for previously U.S. supplied F-5 and A-37 aircraft. Why is such a change sought? What assistance would you like to provide that cannot already be provided under PL 99-83? What assistance, sales or transfers would still be prohibited?

A. Existing legislation allows only for the sale, or the licensing for export, of cartride actuated devices, propellant actuated devices, and technical manuals for F-5 E/F or A/T-37 aircraft sold to the Chilean Air Force by the U.S. before January 1, 1976, so long as the items are for the purpose of enhancing aircraft crew safety. As presently worded, the law prohibits the U.S. from transferring other safety of flight items that would insure against catastrophic aircraft failure likely to result in death of the pilot, who would not have time to escape, and the death or injury of innocent civilians. The categories of: airframe structural components; equipment related to aircraft lighting; fuel and life support (oxygen) systems; aircrew seat ejection components; hydraulics, pneumatics; landing gear; arresting gear and drag chutes; instrumentation, and communication are necessary for safety of flight along with specialized tools and manuals to repair aircraft systems as required by sound engineering and maintenance practice. The proposed changes are in compliance with the spirit of the current law, and do not contradict what we believe was the intent of Congress in providing the original waiver authority.

The minimum safety of flight items we seek to have approved for transfer are the following:

F-5 E/F

- Angle of Attack Gauge: Critical instrument used in establishing proper inflight maneuvering and landing parameters (part no. 30G1).
- Attitude Directional Indicator: Principal instrument used to control aircraft attitude during weather or night flying conditions (part no. 14-64905-1).
- Cabin Temperature Control Unit: Loss of cockpit temperature control could expose pilot to temperatures of less than -45°C or more than +160°C (part no. 751872-3).
- Cabin Altimeter: Without a reliable cabin altimeter, pilot could experience prolonged high pressure altitudes causing incapacitation and eventual death from nitrogen narcosis (bends) or other aviation associated illnesses (part no. 2109-2A).
- Windscreen Panels: Cracked or crazed plexiglas windscreen panels restrict inflight visibility, particularly during inclement weather or at night, and are more susceptible to catastrophic failure in the event of a bird strike (part no. 14-13002-1).
- Air Data Computer: Central data source for aircraft performance instruments (part no. 948312-6-1).

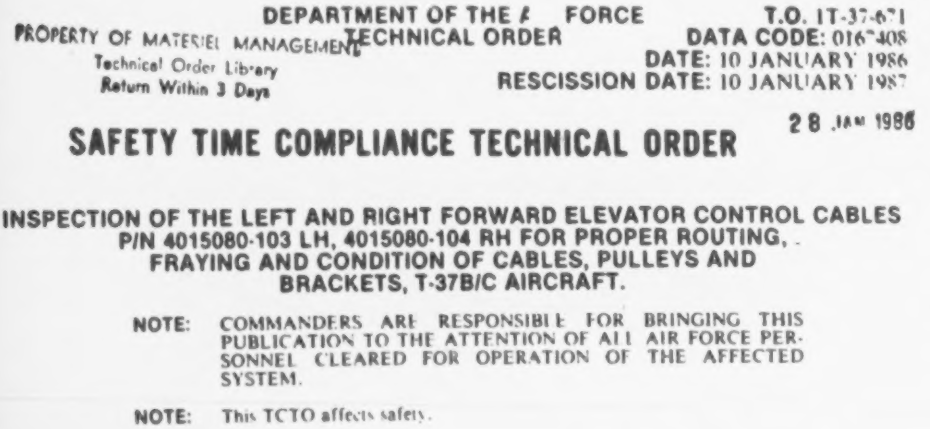
A/T-37

- Altitude Encoder: Permits safe separation (i.e., formation flying) from other aircraft in a radar environment (part no. C415421000).
- Windscreen Panels: Same information as above.

In addition, both the F-5 E/F and A/T-37 require hundreds of Safety Time Compliance Technical Orders (TCTO) and the parts/special tools required to comply with these TCTOs. These TCTOs and necessary maintenance tools are expressly for safety of the aircraft and crew. Failure to accomplish required safety compliance maintenance could result in the catastrophic loss of aircraft and life. Samples of TCTOs are at tabs A-D.

Items to be Prohibited

Items that would be specifically prohibited from transfer to Chile are: all weapons and systems related to weapons control, e.g., target acquisition radar; and systems pertaining to the suspension (carrying of weapons on board aircraft) or release of weapons, e.g., bombs, missiles, etc.



DEPARTMENT OF THE AIR FORCE
TECHNICAL ORDER

T.O. 1T-37-671
DATA CODE: 0167408
DATE: 10 JANUARY 1986
RESCISSION DATE: 10 JANUARY 1987

PROPERTY OF MATERIEL MANAGEMENT
Technical Order Library
Return Within 3 Days

28 JAN 1986

SAFETY TIME COMPLIANCE TECHNICAL ORDER

INSPECTION OF THE LEFT AND RIGHT FORWARD ELEVATOR CONTROL CABLES P/N 4015080-103 LH, 4015080-104 RH FOR PROPER ROUTING, FRAYING AND CONDITION OF CABLES, PULLEYS AND BRACKETS, T-37B/C AIRCRAFT.

NOTE: COMMANDERS ARE RESPONSIBLE FOR BRINGING THIS PUBLICATION TO THE ATTENTION OF ALL AIR FORCE PERSONNEL CLEARED FOR OPERATION OF THE AFFECTED SYSTEM.

NOTE: This TCTO affects safety.

1. APPLICATION.

a. This technical order is applicable to the left and right forward elevator cables P/N 4015080-103 LH and 4015080-104 RH T-37B/C aircraft.

b. Kits are not required by this TCTO.

2. PURPOSE.

To inspect the left and right elevator control cables for proper routing, fraying and condition of cables P/N 4015080-103 LH and 4015080-104 RH. Any deterioration, rubbing or fraying of these cables is degrading to the integrity of the elevator system. Failure of the elevator cables could result in loss of the aircraft and life.

3. WHEN TO BE ACCOMPLISHED.

At the next maintenance opportunity, but not later than 30 days after receipt of this TCTO.

4. BY WHOM TO BE ACCOMPLISHED.

Organizational/intermediate level maintenance.

PROPERTY OF MATERIEL MANAGEMENT
Technical Order Library
Return Within 3 Days

5. WHAT IS REQUIRED.

a. Supply Information and Requirements.

(1) KITS/PARTS/MATERIALS REQUIRED.

The following equipment/material is required for this inspection:

(a) 150 KVP radiographic unit FSN 6635-00-000-0133 or equivalent.

(b) Kodak film type M, ready pak or equivalent, two pieces size 14" x 17".

(2) ACTION REQUIRED ON ITEMS ON STOCK. Not applicable.

(3) KITS/PARTS/MATERIALS REQUIRED TO MODIFY ITEMS IN STOCK. Not applicable.

(4) DISPOSITION OF REMOVED AND REPLACED PARTS MATERIALS. Not applicable.

(5) DRAWINGS REQUIRED. Not applicable.

(6) SIZE, WEIGHT AND COST OF KITS/PARTS/MATERIALS. Not applicable.

(7) DISPOSITION OF KITS/PARTS/MATERIALS. Not applicable.

"DISTRIBUTION STATEMENT THIS PUBLICATION IS REQUIRED FOR OFFICIAL USE OR FOR ADMINISTRATIVE OR OPERATIONAL PURPOSES ONLY. DISTRIBUTION IS LIMITED TO U.S. GOVERNMENT AGENCIES. OTHER REQUESTS FOR THIS DOCUMENT MUST BE REFERRED TO SAN ANTONIO ALC/MMEDT, KELLY AFB, TX 7824."

---

b. Personnel Information and Requirements.

(1) Work Phase For Radiographic Inspection.

WORK PHASE	AFSC	MAN-HOURS
Tow aircraft to NDI facility.	431x1	0.5
Prepare aircraft for radiograph.	427x2	0.5
Radiograph forward elevator cables and pulleys.	427x2	3.0
	Total Man-Hours	4.0

(2) Work Phase For Visual Inspection. (If required).

WORK PHASE	AFSC	MAN-HOURS
Remove and replace ejection seat.	423x2	2.5
Remove and replace panels No. 19 and 22.	431x1	1.0
Remove and replace tunnel panel No. 5.	431x1	1.0
Inspect elevator cable and pulleys.	431x1	1.0

Remove and replace cables.	431x1	2.0
Rig elevator system.	431x1	1.0
Perform operational test.	431x1	1.0
	Total Man-Hours	9.5

c. Special Tools, Test Equipment and Software Fixtures Required. Not applicable.

6. HOW WORK IS ACCOMPLISHED.

a. Prepare aircraft for radiographic inspection.

WARNING

- **Prior to accomplishing this TCTO on an armed aircraft, refer to T.O. 1T-37B/C-2-2 for pre-cautions to be observed. Failure to observe this warning may result in serious injury to personnel or damage to the aircraft.**
- **Do not use unauthorized equipment around fueled aircraft.**
- **All electrical power shall remain off during compliance with this TCTO.**
- **The hydraulic system shall remain depressurized during compliance with this TCTO.**

b. Film Position.

1. Pull control stick to the full aft position.

2. Place film under left seat 17" length fwd/aft, flush with front edge of seat and against the center console.

3. Place film on right side forward of control stick, 14" length fwd/aft and against the center console.

c. Source Location.

1. Ninty degrees to film. Tubehead fwd/aft left side aligned with the center and 11" forward of the fuel strainer.

2. On the right side 4" aft of speedbrake and 5" outboard of aircraft center line.

d. Radiographic Equipment Setting and Film Exposure Data.

1. KVP: 100.

2. MAS: 50 (2.5 ma, 20 seconds or 0.3 minutes).

3. FFD: Static Aircraft Height.

4. Density: 2.0 to 2.5.

5. Processing: Automatic Processor.

NOTE

If radiographic inspection equipment is not available or if any suspected defects cannot be verified by radiograph, the aircraft will require a visual inspection of the elevator cables.

A. Work Requirements for Visual Inspection.

1. Remove left ejection seat in accordance with T.O. 1T-37B/C-2-2.

2. Remove inspection panels No. 19 and 22 to gain access to left side.

3. Remove lower forward tunnel panel No. 5.

4. Remove access panel P/N 4011235-302 to gain access to pulleys.

5. Inspect elevator cables P/N 4015080-103 LH and 4015080-104 RH for proper routing, fraying, and condition in accordance with T.O. 1-1A-8.

6. Inspect pulleys for cracks, chips and wear in accordance with T.O. 1-1A-8.

7. If any of the above discrepancies are noted during this inspection, remove and replace elevator cables in accordance with T.O. 1T-37B/C-2-4, paragraphes 3-10 and 3-11.

8. Rig elevator cables in accordance with T.O. 1T-37B/C-2-4, paragraph 3-12.

9. Perform operational test in accordance with T.O. 1T-37B/C-2-4.

10. Install all access panels.

11. Install left ejection seat in accordance with T.O. 1T-37B/C-2-2.

DEPARTMENT OF THE AIR FORCE
TECHNICAL ORDER

T.O. 1F-5E-429
DATA CODE: 0166624
30 June 1985
Rescission Date: 30 June 1986

SAFETY TIME COMPLIANCE TECHNICAL ORDER

INSTALLATION OF COVER ASSEMBLY PART NO. 8443260-10 TO PREVENT LOWER ANTI-G VALVE HOSE INTERFERENCE WITH CANOPY OPERATING MECHANISM OF F-5E AIRCRAFT EQUIPPED WITH NORTHROP EJECTION SEAT

1. APPLICATION.

a. This technical order is applicable to the anti-G valve and canopy systems on F-5E aircraft equipped with Northrop Ejection Seats except those shown below.

b. This modification is not applicable to and will not be accomplished on the following aircraft

Model	AF Serial Number
F-5E	73-00903 thru 73-00919
F-5E	73-00921
F-5E	73-00923 thru 73-00932
F-5E	75-0442 thru 75-0456
F-5E	75-0462 thru 75-0475
F-5E	75-0477
F-5F	75-0479 thru 74-0484
F-5E	75-0486 thru 75-0490
F-5E	75-0562 thru 75-0572
F-5E	76-1664 thru 76-1685

c. Kitproof testing in accordance with T O 00-5-15 was performed on F-5E aircraft serial number 72-1404 at Nellis AFB on 15 November 1984.

2. PURPOSE.

The purpose of this modification is to install a cover to prevent lower anti-G hose interference with the canopy operating mechanism crank.

3 WHEN TO BE ACCOMPLISHED.

Not later than 20 days after receipt of this TCTO and parts/materials. Failure to accomplish the work by 13 December [illegible] shall be justification for withdrawing the affected equipment from service until compliance is accomplished.

4. BY WHOM TO BE ACCOMPLISHED.

Organization or intermediate level maintenance.

5. WHAT IS REQUIRED.

a. Supply Information and Requirements.

(1) KITS PARTS/MATERIALS REQUIRED.

The following material required to comply with this technical order is not furnished as a kit and is obtained thru the appropriate supply source.

[illegible]	Stock Number	Part No.	Nomenclature	Source
[illegible]	5320-00-117-6949	MS20426AD4-4	Rivet	AF Stock
	5320-00-117-6[illegible]9	MS20426AD3-5	Rivet	AF Stock
[illegible] 9110		2024T3QQA250.5	Alum Aly Sht	AF Stock
[illegible] in X 10 in X .063 in)				
4	5306-00-274-2119	AN3-5A	Bolt	AF Stock
4	5310-00-167-0818	AN960-10	Washer	AF Stock

(2) ACTION REQUIRED ON ITEMS IN STOCK. Not applicable.

(3) KITS/PARTS/MATERIALS REQUIRED TO MODIFY ITEMS IN STOCK. Not applicable.

(4) DISPOSITION OF REMOVED AND REPLACED PARTS/MATERIALS. Not applicable.

(5) DRAWINGS/INSTRUCTIONS REQUIRED. Not applicable.

(6) SIZE, WEIGHT AND COST OF KITS/PARTS/MATERIALS. Not applicable.

(7) DISPOSITION OF KITS/PARTS/MATERIALS. Not applicable.

b. Personnel Information and Requirements.

Work Phase	AFSC Skills	Man-Hours Required
Cover Fabrication	Airframe Repair Specialist 42755	2.0
Installation	Airframe Repair Specialist 53450	2.0
Functional Check	Egress Specialist 42352	.5
Seat and Canopy		
	Total Man-Hours	4.5

c. **Special Tools, Fixtures, Test Equipment and Software Required.** Special kit installation tools are not required.

6. HOW WORK IS ACCOMPLISHED.

NOTE

- Minor deviations are permissible providing the intent of this technical order is accomplished and safety is not compromised.
- Make all fastener installations in accordance with T.O. 1-1A-8, Sections I thru VI.
- Treat drilled fastener holes in accordance with 1F-5E-23.

a. Prepare aircraft for modification as follows:

WARNING

- Only certified egress personnel will work on ejection system.
- Do not attempt to work in ejection seat area before ground safety pins are installed. Refer T.O. 1F-5E-2-11-3.
- Do not use unauthorized equipment around a fueled aircraft. Failure to observe this warning may result in serious injury to personnel or damage to the aircraft.
- Prior to accomplishing this modification activity on an armed aircraft, refer to T.O. 1F-5E-2-12 for precautions to be observed. Failure to observe this warning may result in serious injury to personnel or damage to the aircraft.

(1) Connect generator set/electrical power to aircraft in accordance with T.O. 1F-5E-2-11-1-2.

b. Make aircraft safe for work in accordance with T.O. 1F-5E-2-11-2.

(1) Open canopy in accordance with T.O. 1F-5E-2-11-6-1.

(2) Adjust ejection seat to full down position in accordance with T.O. 1F-5E-2-11-6-3.

(3) Disconnect battery in accordance with T.O. 1F-5E-2-11-1-2, Section 8, DISCONNECT AND CONNECT AIRCRAFT BATTERY, and placard receptables to prevent inadvertent plug in.

(4) Remove all sources of external hydraulic and electrical power.

NOTE

The use of a template made in accordance with figure 1 or USAF drawing number 8443260 to fabricate 8443260-10 cover assembly is recommended to insure compatability with cockpit components.

c. Referring to figures 1, 2 and 3 modify the aircraft as follows:

(1) Fabricate 8443260-01 cover, 8443260-03 angle and 8443260-05 shim in accordance with figure 1 or USAF drawing number 8443260.

(2) Assemble 8443260-01 cover and 8443260-03 angle as shown in figure 2.

(3) Prepare cockpit for modification.

(a) Remove and retain trim panel part number 14-70020-3.

(b) Remove four existing bolts and four washers from 4-13533-1 canopy handle crank installation support assembly as shown in figure 3.

(4) Prepare 8443260-10 cover assembly for installation.

(a) Position 8443260-10 cover assembly at fuselage station 249.50 in accordance with figure 3 to facilitate location/marking of attachment hardware holes as follows:

(b) Position 8443260-01 cover over canopy release handle crank part number 4-13891-1, and support part number 4-13533-1 installed on left side of the cockpit at fuselage station 249.50, as shown in figure 3, and mark four existing holes thru the fuselage former at station 249.50 and support assembly installation to the flange of 8443260-10 cover assembly.

(c) Remove cover and drill marked hole locations using a number 40 drill.

(d) Position and clamp 8443260-05 shim on 8443260-10 cover assembly flange as shown in figure 2, and drill holes from cover flange thru 8443260-05 shim.

(e) Drill holes thru cover flange and shim using a number 11 drill. Treat drilled holes in accordance with T.O. 1F-5E-23.

(f) Finish 8443260-10 cover assembly using one coat of zinc chromate primer and one coat of flat gray paint to match the cockpit finish.

(5) Install 8443260-10 cover assembly in accordance with figure 3 as follows:

(a) Position cover as shown in figure 3 and align four holes with four existing on 4-13533-1 crank assembly support installed on fuselage station 249.50.

(b) Using four AN3-5A bolts and four AN960-10 washers, install doubler 8443260-05 and 8443260-10 cover assembly on the existing 4-13533-1 support holes (four) and nutplates installed on F.S. 249.50 to fit under the lower flange of the support and over the 4-138191 crank, as shown in figure 3.

(c) Insure that 8443260-10 cover assembly is clear of 4-13533-1 crank and 51B464-4-15 bolt on canopy release handle mechanism.

(d) Enlarge cutout on 14-70020-3 trim panel as required to clear 8443260-10 cover assembly installation and reinstall panel in original position.

(6) Perform functional check of canopy and seat for clearance with 8443260-10 cover assembly installation as follows:

(a) Reconnect battery/aircraft power in accordance with T.O. 1F-5E-2-11-1-2.

(b) Adjust seat to full up position and return to full down position, repeat as required to insure that existing lower anti-G hose is prevented by the 863260-10 cover assembly installation from interference with the canopy release handle bellcrank and linkage.

(c) Enter cockpit and manually close and open canopy several times while observing the left side of cockpit and the canopy release handle linkage to insure there is no interference between the canopy release handle mechanism and the lower anti-G hose as it is installed on the ejection seat. If interference is detected and cannot be resolved by normal maintenance practices contact the Director Materiel Management, Kelly AFB TX/MMSRC/ AUTOVON 945-7378.

CAUTION

Insure cockpit area is clean and free of metal shavings and other debris.

(7) Rearm aircraft in accordance with T.O. 1F-5E-2-11-1-2 (if required).

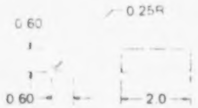
(8) Complete required maintenance forms.

4		RIVET		MS20426AD4-4		
3		RIVET		MS20426AD3-5		
1		SHIM		-05	AL ALY SH 0.09 THK	QQ-A-250/5 2024-T3
1		ANGLE		-03	AL ALY SH 0.06 THK	QQ-A-250/5 2024-T3
1		COVER		-01	AL ALY SH 0.06 THK	QQ-A-250/5 2024-T3
	SYM	NOMENCLATURE	CODE IDENT	IDENTIFYING NO	MATERIAL/SPECIFICATION	

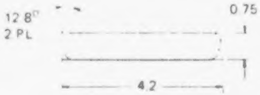
PARTS LIST

NOTE

ALL DIMENSIONS IN INCHES UNLESS OTHERWISE SPECIFIED


0 60
0 25R
0 60
2.0

-03 ANGLE


12 8°
2 PL
0 75
4.2

-05 SHIM

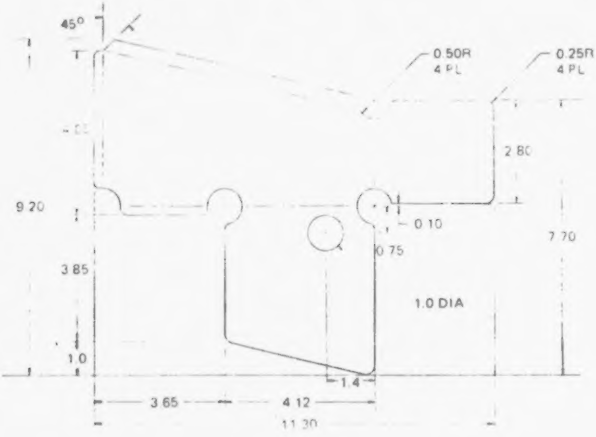

45°
0.50R
4 PL
0.25R
4 PL
2 80
9 20
0 10
7 70
0 75
3 85
1.0 DIA
1.0
1.4
3 65
4 12
11 30

Figure 1. Pattern for -01 Cover

4		RIVET		MS20426AD4-4		
3		RIVET		MS20426AD3-5		
1		SHIM		05	AL ALY SH 0.09 THK	QQ-A-250/5 2024-T3
1		ANGLE		03	AL ALY SH 0.06 THK	QQ-A-250/5 2024-T3
1		COVER		01	AL ALY SH 0.06 THK	QQ-A-250/5 2024-T3
	SYM	NOMENCLATURE	CODE IDENT	IDENTIFYING NO.	MATERIAL/SPECIFICATION	

PARTS LIST

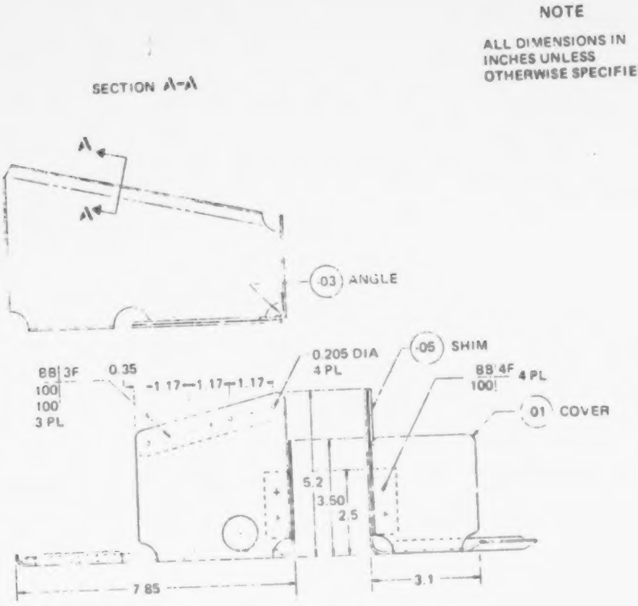
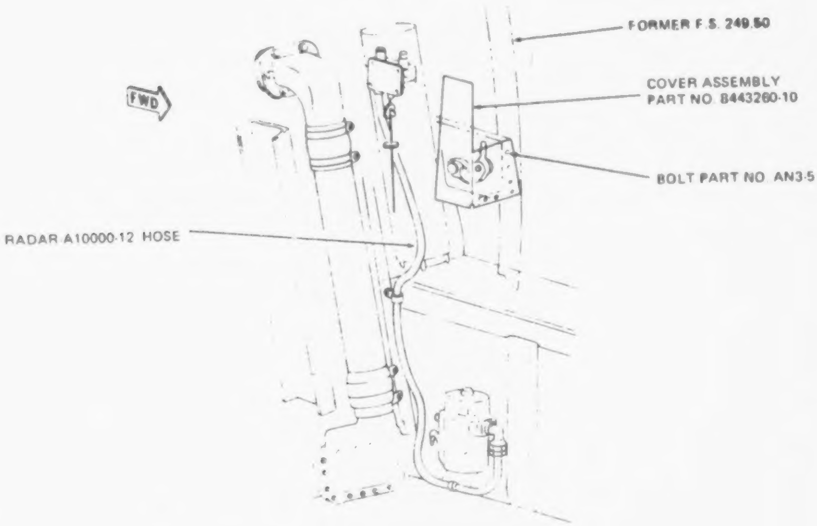

NOTE
ALL DIMENSIONS IN INCHES UNLESS OTHERWISE SPECIFIED.
SECTION A-A
A
A
-03 ANGLE
0.205 DIA
4 PL
-05 SHIM
BB 3F
100
100
3 PL
0.35
1.17
1.17
1.17
BB 4F
100
4 PL
01 COVER
5.2
3.50
2.5
7.85
3.1

Figure 2. 8443260-10 Cover Assembly


FWD
FORMER F.S. 249.50
COVER ASSEMBLY PART NO. 8443260-10
BOLT PART NO. AN3-5
RADAR A10000-12 HOSE

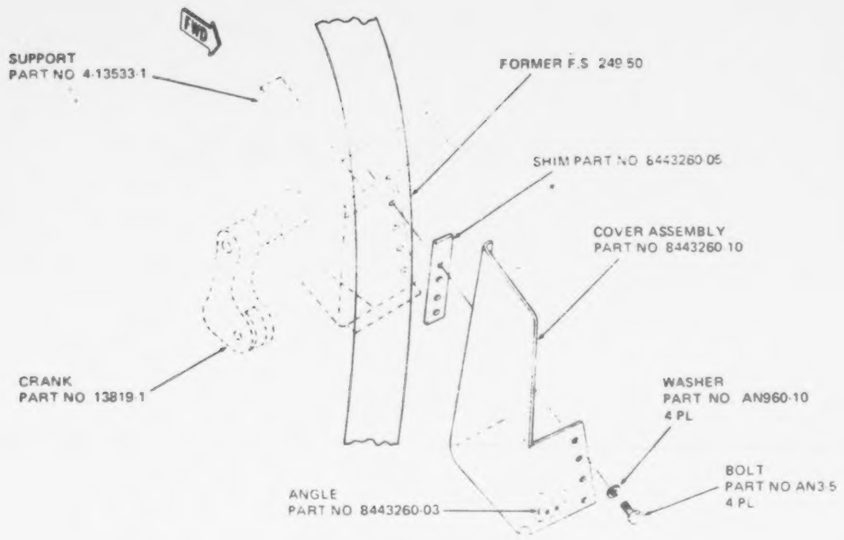

FWD
SUPPORT
PART NO 4-13533-1
FORMER F.S 249.50
SHIM PART NO 8443260-05
COVER ASSEMBLY
PART NO 8443260-10
CRANK
PART NO 13819-1
WASHER
PART NO AN960-10
4 PL
BOLT
PART NO AN3-5
4 PL
ANGLE
PART NO 8443260-03

Figure 3. Cover Assembly Installation

7. SUPPLEMENTAL INFORMATION.

a. Fuel System Defuel/Purge. Not required.

b. Operational Checkout Requirements.

(1) An operational checkout will not be required after completion of this modification, except as required in paragraph 6.c.(5).

(2) The aircraft will not require a functional check flight after modification and prior to release for normal operation.

c. Weight and Balance Information.

The weight and balance change resulting from the instructions contained herein is negligible.

d. Technical Manuals Affected.

T.O. Number	Date of Issue
1F-5E-4-1	1 November 1983
1F-5E-4-12	1 May 1984

8. RECORDS.

a. Action Required on Maintenance Records.

The forms and form entries will be accomplished in accordance with instructions prescribed by the 00-20 series technical orders.

b. Action Required on Supply Records. Not applicable.

BY ORDER OF THE SECRETARY OF THE AIR FORCE

CHARLES A. GABRIEL, GENERAL, USAF
Chief of Staff

Prepared by San Antonio ALC/MMSRC
Fighter/Tactical Trainer
System Management Division

EARL T. O'LOUGHLIN, GENERAL, USAF
Commander, Air Force Logistics Command

T.O. 1A-37B-638

DATA CODE: 0166593

30 MARCH 1985

Rescission date: 30 March 1986

DEPARTMENT OF THE AIR FORCE
TECHNICAL ORDER

SAFETY TIME COMPLIANCE TECHNICAL ORDER

INSPECTION OF A/OA-37B NOSE LANDING GEAR TORQUE LINKS QUICK-RELEASE PIN

NOTE This technical order supersedes T.O. 1A-37B-635 (Data Code 0165160) dated 7 June 1984.

1. APPLICATION.

a. This technical order is applicable to all A/OA-37 nose landing gear.

MODEL	SERIAL NO.
A-37B	All
OA-37B	All

b. This inspection will be accomplished on the following nose landing gear assemblies.

NLG ASSEMBLY NSN	PART NO.
1620-01-040-4318	7329049-470
1620-00-500-6741	7329049-430
1620-00-477-3722	16930-21

c. Kits are not required by this TCTO.

d. TCTO proofing waived by OO-ALC.

2. PURPOSE.

The purpose of this TCTO is to inspect all A/OA-37 aircraft nose landing gear torque links quick-release pins, part No. MS17987C413, NSN 5540-00-119-3973. This TCTO replaces T.O. 1A-37B-635 (Data Code 0165160) dated 7 June 1984.

3. WHEN TO BE ACCOMPLISHED.

Not later than 90 days after receipt of this TCTO and parts. Failure to accomplish this TCTO by the preceding specified number of days shall automatically restrict operation or shall be justification for withdrawing affected system/equipment from service until compliance is accomplished.

4. BY WHOM TO BE ACCOMPLISHED.

Organizational and intermediate level maintenance.

5. WHAT IS REQUIRED.

a. Supply Information and Requirements.

(1) Kits/Parts/Materials Required.

NOTE

AF activities will ensure that requisitioning of TCTO kits/parts is effected in an expeditious manner to ensure accomplishment of this modification within the designated time period.

The following parts/materials required to comply with this technical order are not furnished in a kit and will be obtained through the appropriate supply sources.

QTY	STOCK NO.	PART NO.	NOMENCLATURE	SOURCE
1	5340-00-119-3973	MS17987C413	Pin, quick-release	AF Supply
1	5315-01-192-6776LE (or equivalent)	2006671-1	Pin, safety	
2	4030-01-088-2952 (or equivalent)	MS51844062	Sleeve, swaging	
7 inches	4010-01-005-4775 (or equivalent)	1/16-inch diameter 7 x 7 cres per MIL-W-5424	Wire rope	

(2) Action Required on Items in Stock.

Assemblies listed in subparagraph 1.b. will be modified in accordance with paragraph 6, by OILM prior to installation, or by DLM prior to issue. In any event, all spares and WRM will be modified prior to rescission date of this TCTO.

(3) Kits/Parts/Materials Required to Modify Items in Stock.

Same as parts and materials listed in subparagraph 5.a.(1).

(4) Disposition of Removed and Replaced Parts/Materials.

Take immediate disposal action through local defense property disposal organization.

(5) Drawings and Instructions Required. Not applicable.

(6) Size, Weight, and Cost of Kits/Parts/Materials. Not applicable.

(7) Disposition of Kits/Parts/Materials. Not applicable.

b. Personnel Information and Requirements.

WORK PHASES	AFSC SKILLS	MAN-HOURS REQUIRED
Machining	427X0	1.0
NDI	427X2	0.5
Plating	427X4	0.5
Assembly	427X5	1.0
Installation	423X4	0.5
	TOTAL MAN-HOURS	3.5

c. Special Tools, Fixtures, Test Equipment, and Software Required. Not applicable.

6. HOW WORK IS ACCOMPLISHED.

a. Nose gear torque link quick-release pins, part No. MS17987C413, which are already in service and are in serviceable condition may be modified by the following procedures and returned to service.

b. If the in-service torque links quick-release pin is not part No. MS17987C413, or if the torque links quick-release pin which is in service cannot be identified, then replace it with pin, part No. MS17987C413, which has been modified by the following procedures:

(1) Pin, part No. MS17987C413, may be received with an attaching link or ring attached to handle ring. This secondary link or ring is to be removed and disposed of prior to modifying pin.

(2) Drill 0.077 to 0.069-inch hole through end of quick-release pin, part No. MS17987C413, located per figure 1. Maintain perpendicularity of 0.01 inch.

(3) Break all sharp edges 0.05 to 0.02 inch.

(4) Thoroughly degrease drilled pin to remove any drilling coolant fluid.

(5) Perform a magnetic particle inspection per Specification MIL-I-6868 on drilled pin at locations where drilled holes have penetrated pin surfaces. Cracks are not allowed.

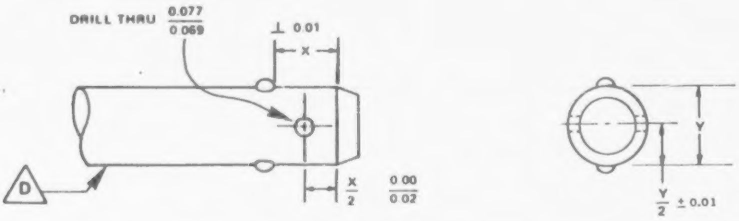


FIGURE 1. TORQUE LINK QUICK-RELEASE PIN HOLE LOCATION

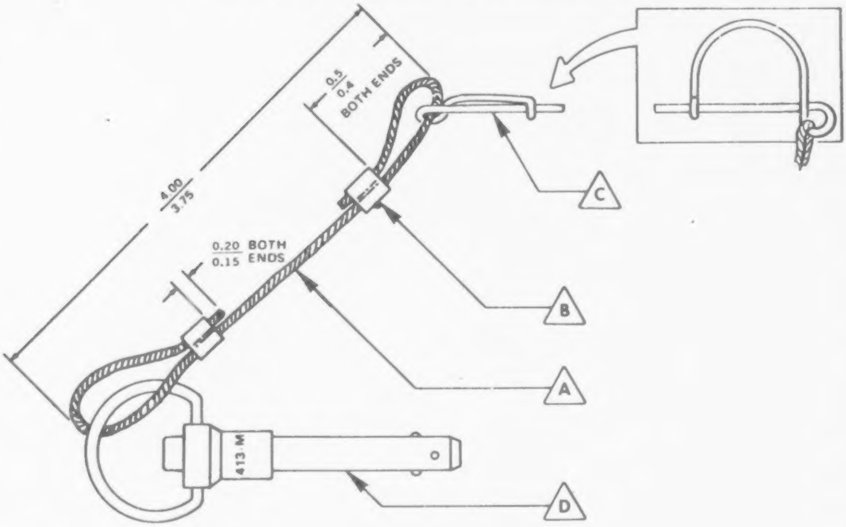


FIGURE 2. TORQUE LINK QUICK-RELEASE PIN SAFETY PIN ATTACHMENT

A MATL: $\frac{1}{16}$ DIA 7 x 7 CRES WIRE ROPE PER MIL W 5424

(I) NSN 4010-01-005-4775, WIRE ROPE, COVERED, UNIT OF ISSUE IS BY THE FOOT

(II) NSN 4010-00-264-6493, WIRE ROPE, NOT COVERED, UNIT OF ISSUE IS BY 1000 FOOT

(III) OR EQUIVELANT

B SWAGING SLEEVE: 2 EA: P/N MS51844-62: NSN 4030-01-088-2952: OR EQUIVELANT

C PIN, SAFETY-TORQUE ARM, NLG: 1 ea: P/N 2006671-1: NSN 5315-01-192-6776LE: OR EQUIVELANT

D PIN, QUICK-RELEASE, TORQUE ARM, NLG: 1 EA: P/N MS17987C413: NSN 5340-00-119-3973

E. UNLESS OTHERWISE SPECIFIED ALL DIMENSIONS ARE IN INCHES.

(6) Touch up drilled areas with brush cadmium plate using selectron LHE process.

(7) Ensure release button, plunger, and locking balls of quick-release pin function properly.

(8) Attach safety pin, part No. 2006671-1 or equivalent, to quick-release pin, part No. MS17987C413, using materials per figure 2. Swage by normal swaging procedures.

(9) After swaging, pull with a steady even force of 90 to 100 pounds on loops simultaneously in opposite directions. Cable ends shall not slip.

(10) Identify the assembly by Vibra-etching a "-M" after part number on quick-release pin as shown on figure 2.

(11) Install modified quick-release pin into nose landing gear torque links. Ensure quick-release pin is installed such that locking balls are locked.

(12) Insert attached safety pin through drilled hole in end of quick-release pin and lock it.

7. SUPPLEMENTAL INFORMATION.

a. Fuel System Defuel/Purge.

Defueling/purging of the aircraft fuel system shall not be accomplished prior to accomplishing this TCTO.

b. Operational Checkout Requirements. Not applicable.

c. Weight and Balance Information. Not applicable.

d. Technical Manuals Affected.

T.O. NUMBER	DATE OF BASIC ISSUE
4S2-27-13	19 August 1975
1A-37B-4	1 January 1976

8. RECORDS.

a. Action Required on Maintenance Records.

An AFTO Form 349 will be submitted for each strut affected. Report TCTO compliance in accordance with T.O. 00-20-2-2, Table 2-3, Rule 1.

b. Action Required on Supply Records.

Supply records will be appropriately annotated to reflect assemblies listed in subparagraph 1.b. are not issued until they are in compliance with this TCTO. Supply organizations maintaining manual stock record accounts will handscribe in remarks space of appropriate AF Form 105F card: DO NOT USE UNLESS IN ACCORDANCE WITH T.O. 1T-37-664C.

(1) Base supply: Manager review code listed stock numbers in accordance with AFM 67-1, Volume II, Part Two, Chapter 8, to prevent automatic issue.

(2) Base support: Manager review code listed items to prevent automatic issue.

(3) Inventory managers: Manager review code L will be assigned items listed below to ensure shipments are not made to Air Force activities until items are in compliance with this TCTO. Use of other manager review codes, if applicable, is permissible.

(4) Property accounting personnel will verify items requisitioned are in compliance with this TCTO. Positive supply action will be taken based upon results of verification of compliance.

BY ORDER OF THE SECRETARY OF THE AIR FORCE:

CHARLES A. GABRIEL, GENERAL, USAF
CHIEF OF STAFF

EARL T. O'LOUGHLIN, General, USAF
Commander, AFLC

Prepared by OO-ALC (MMIRCB/458-5732)

DEPARTMENT OF THE AIR FORCE
TECHNICAL ORDER

T.O. 2J-J85-948
DATA CODE: 0213531
31 August 1985
Rescission Date: 31 August 1986

INSPECTION OF PILOT SPRAYBARS
ON J85-5/-13/-21 ENGINES

936 ID [illegible]
939 ID [illegible]

1. APPLICATION.

a. This technical order is applicable to all series, J85-5/-13/-21 engines.

b. Kit proofing is not required by this TCTO.

2. PURPOSE.

a. To remove from service pilot spraybars which are below Serial No. 67110. (See paragraph 6)

3. WHEN TO BE ACCOMPLISHED.

a. At time of next scheduled or unscheduled engine removal.

4. BY WHOM TO BE ACCOMPLISHED.

Organizational intermediate level maintenance.

5. WHAT IS REQUIRED.

a. Supply Information and Requirements.

(1) KITS/PARTS/MATERIALS REQUIRED. Not applicable.

(2) ACTION REQUIRED ON ITEMS IN STOCK.
Inspect pilot spraybars for affected serial numbers. (See paragraph 2.a.)

National Stock No.	Part No.	Nomenclature	Disposition Code
2915-00-782-1759RX	5011T29P01	Spraybar, Pilot	1
2915-00-991-1475RX	37E501510P101	Spraybar, Pilot	1
2915-00-909-6837	37E501510P102	Spraybar, Pilot	1
2915-00-725-7125RX	5014T67P02*	Spraybar, Pilot	1
2915-00-556-0588RX	5014T67P03*	Spraybar, Pilot	1
2915-01-082-9772RX	5014T67P04*	Spraybar, Pilot	1

*J85-GE-21 Engine pilot spraybar.

DISPOSITION CODE:

1. Serviceable items are suitable for issue with no restrictions. Using activities will comply with this technical order before pilot spraybars are installed in engines.

(3) KITS/PARTS/MATERIALS REQUIRED TO MODIFY ITEMS IN STOCK.
Not applicable.

(4) DISPOSITION OF REMOVED AND REPLACED PARTS/MATERIALS.

(See paragraph 6.)

(5) DRAWINGS/INSTRUCTIONS REQUIRED.

Not applicable.

(6) SIZE, WEIGHT AND COST OF KITS/PARTS/MATERIALS.

Not applicable.

(7) DISPOSITION OF KITS/PARTS/MATERIALS.

Not applicable.

b. Personnel Information and Requirements.

Work Phase	AFSC	Man-Hours Required
Remove spraybars	Engine Mechanic (426X2)	0.5
NDI Inspection	NDI Technician (427X2)	1.0
Install spraybars	Engine Mechanic (426X2)	0.5
	Total Man-Hours	2.0

c. Special Tools, Fixtures, Test Equipment and Software Required. Not applicable.

6. HOW WORK IS ACCOMPLISHED.

a. Inspect pilot spraybars for affected serial numbers.

NOTE

Identifying the serial number should be done with care. The serial number will be a five digit number, or a letter followed by a four digit number, (Example: N5203) or four digit number followed by a letter (Example: 2507P). The serial number is sometimes prefixed by the letters "DLN", but not always. Some other five digit numbers may be confused for the serial number: The numbers "14519," "19252" and "24007" are J85-5/-13 manufacturers part numbers; "26634", "30096", "33728" and "36837" are J85-21 manufacturers part numbers; and "99207" and "71896" are manufacturers codes. If there is any question, assume the spraybar to be suspect, and have it sent to x-ray.

b. All spraybars serial numbers 67110 and above, or which have a letter followed by a four digit number, or a four digit number followed by a letter are serviceable, and exempt from this inspection.

c. All spraybars with serial numbers below 67110 are suspect and must be x-ray inspected using the following technique and procedure.

(1) Technique

Primary	Alternate
(a) Film: Kodak Type "M", or Gevaert Type "D4" or equivalent.	(a) Film: Kodak Type "AA" or equivalent.
(b) Focal Distance: 60 inches	(b) Focal Distance: 60 inches
(c) Voltage: 200KV	(c) Voltage: 135KV
(d) Current: 10mA	(d) Current: 5mA
(e) Exposure Time: 60 seconds	(e) Exposure Time: 150 seconds
(f) Use 0.005 inch lead pack on top and bottom of film.	(f) Use 0.005 inch lead pack on top and bottom of film.

(2) Procedure:

(a) Put as many as 12 pilot spraybars on one half of the film, covering the other half with a lead sheet. Place the spraybars "Flat", with the inlet ports parallel to the film, and prop up the tube end of the spraybar to keep the tube parallel to the film.

(b) Place lead numerals next to each spraybar for easy identification.

WARNING

Non-destructive inspection radiation can be harmful to personnel. Comply with all applicable safety precautions in T.O. 33B-1-1 and AFOSH Standard 127-110. Failure to comply may result in injury. Coordinate all operational changes with the base radiation protection officer.

(c) Take a radiograph using technique in (1) above.

(d) Remove lead sheet from unexposed half of film, and place spraybars on it. Rotate the spraybars 90° along its long axis (i.e. with the inlet ports perpendicular to the film), again propping up the tube to keep it parallel to the film. Make sure the lead numerals are matched up with the spraybars. Place lead sheet over exposed half of film, then repeat step (c) above.

(3) **Reading Radiographs. The radiographs will be examined in the spraybar housing area (see figure 1).**

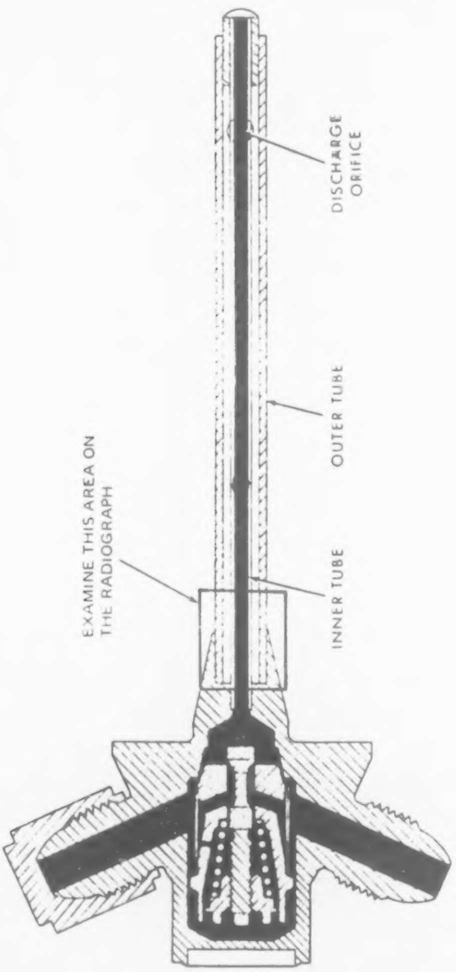
(a) Any spraybar which shows a braze plug and void (see figure 2) will be scrapped immediately.

(b) Spraybars which have neither a plug nor void will be returned to service.

(c) Spraybars which have a braze plug in the housing area, but no void or cavity (see figure 3) will be returned to service.

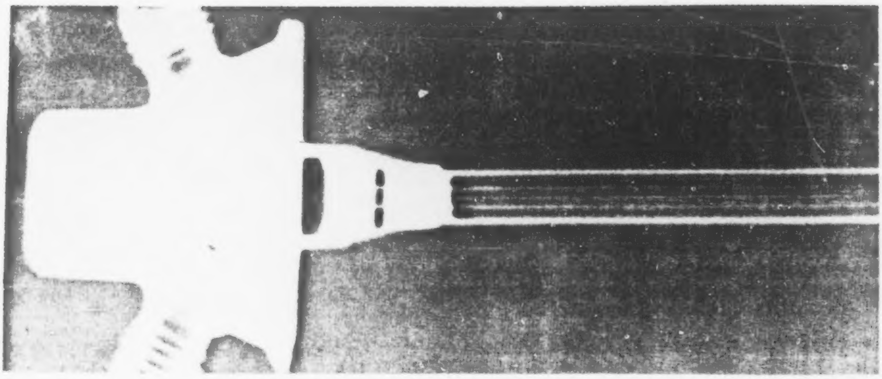
(d) Spraybars which have no plug, and a cavity between the outer tube and housing (see figure 4) will be returned to service.

(e) Spraybars which have been x-rayed in compliance with this TCTO, and were not scrapped will have a "C" vibropeened on the circular end cap of the spraybar.



EXAMINE THE SPRAYBAR IN THE HOUSING AREA (BLOCKED OFF)

Figure 1.

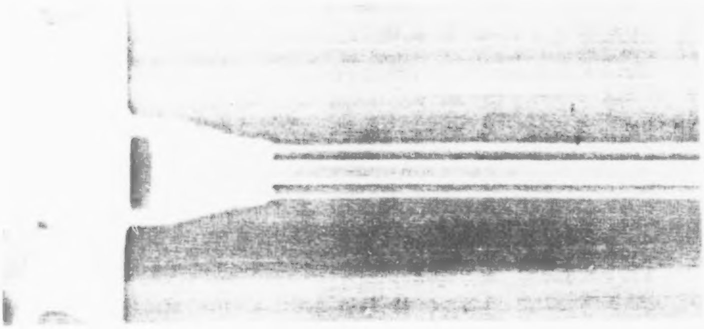


SPRAYBAR WITH BRAZE PLUG AND VOID. SCRAP THIS TYPE OF SPRAYBAR IMMEDIATELY.

Figure 2.

SPRAYBAR WITH BRAZE PLUG BUT NO VOID. ACCEPTABLE SPRAYBAR. RETURN TO SERVICE

Figure 3



SPRAYBAR WITH VOID BUT NO BRAZE PLUG. ACCEPTABLE SPRAYBAR. RETURN TO SERVICE

Figure 4

7. SUPPLEMENTAL INFORMATION.

a. Fuel System Defuel Purge. Not applicable.

b. Operational Checkout Requirements. Not applicable.

c. Weight and Balance Information. Not applicable.

d. Technical Manuals Affected. Not applicable.

8. RECORDS.

a. Action Required on Maintenance Records.

TCTO compliance shall be annotated on applicable historical record and an AFTO Form 349 submitted in accordance with T.O. 00-20-2-4, Table 2-3, Rule 2, for each engine serial number to the D042 (CEMS) tracking system. Ensure that all engine serial numbers listed in paragraph 1a are reported including those requiring a "Not applicable" status.

b. Action Required on Supply Records. Not applicable.

c. Modification Identification Marking.

Vibro-peen the letter "C" on circular end cap of spraybar.

BY ORDER OF THE SECRETARY OF THE AIR FORCE:

CHARLES A. GABRIEL, GENERAL, USAF
Chief of Staff

EARL T. O'LOUGHLIN, GENERAL, USAF
Commander, Air Force Logistics Command

Prepared by San Antonio ALC/MMPBRA
Propulsion Management Division
AUTOVON:945-7237

REQUEST FOR IMET FOR CHILE

Current law requires a Presidential certification regarding democratic process, human rights observance, and progress in prosecuting those responsible for the Moffitt and Letelier murders in 1981, prior to the provision of any military aid, sales or credits to Chile. Do you believe that under the current circumstances such a certification is justified by the facts? Why is the Administration seeking, at this time, to undertake any military training relationship ($50,000 IMET) with the Chilean armed forces? Does the Administration have plans to submit a certification, pursuant to Section 726 of the International Security and Development Cooperation Act of 1981?

A: WE DO NOT BELIEVE CONDITIONS WARRANT CERTIFICATION AT THIS TIME. FOR FY 1988, HOWEVER, WE DO NOT WANT TO RULE OUT THE POSSIBILITY THAT CONDITIONS IN CHILE MAY CHANGE SO THAT CERTIFICATION UNDER SECTION 726 COULD BE CONSIDERED -- IN CLOSE CONSULTATION WITH CONGRESS. WE CONTINUE TO BELIEVE THAT THE LEGISLATIVE RESTRICTION ON IMET TRAINING TO CHILE IS ILL-ADVISED, AND COUNTERPRODUCTIVE TO PROMOTING U.S. POLICY OBJECTIVES.

IF IMPLEMENTED, AN IMET PROGRAM WOULD BE CONSISTENT WITH OUR POLICY OF ENCOURAGING MILITARY PROFESSIONALISM, A DIALOGUE WITHIN CHILE ON THE TRANSITION TO DEMOCRACY AND IMPROVED HUMAN RIGHTS PRACTICES. CONTINUING TO DENY MILITARY TRAINING TO THE CHILEAN ARMED FORCES WILL NOT, IF NEARLY A DECADE OF EXPERIENCE IS ANY GUIDE, INFLUENCE THE HUMAN RIGHTS PRACTICES OF THE CHILEAN GOVERNMENT. PROFESSIONAL TRAINING MAY HOWEVER INFLUENCE ATTITUDES AND PERCEPTIONS WITHIN THE CHILEAN MILITARY. RESUMING LIMITED MILITARY TRAINING WOULD ENABLE US TO EXPAND OUR CONTACTS WITH THE CHILEAN MILITARY, WHICH WOULD OVER TIME NOT ONLY SERVE OUR SECURITY OBJECTIVES, BUT ALSO OUR INTERESTS IN DEMOCRACY AND HUMAN RIGHTS.

Q. How important has the drug problem become in our bilateral relations with our Latin neighbors? Were you involved in evaluating the performance of countries to be certified? Are you satisfied with the "progress" being achieved in narcotics eradication and interdiction in the region?

A. The drug problem is an increasingly important factor in the United States' bilateral relations with individual countries in Latin America and the Caribbean. The importance of it is directly proportional to the magnitude of drug production and trafficking, e.g. it is a major problem affecting our relations with Mexico and several Andean countries, while less so in Chile and Argentina where transiting and transshipment are of concern, but not to the degree they are in the Bahamas and the Caribbean. Discussion of country-specific situations can be found in the 1986 International Narcotics Country Strategy Report.

The staff of the Inter-American Affairs Bureau as well as myself were fully involved in the review of the performance evaluation of individual countries considered for certification, leading to the recommendations sent to the President for transmittal to the Congress.

One is never satisfied with the "progress" achieved in narcotics eradication and interdiction. There is always more to do given an enemy that possesses the means and determination to continue to reap enormous profits from the growing, processing, movement and sale of illicit narcotics and drugs.

Q: Given Haiti's overwhelming economic problems and political uncertainty, what short-term results do you envision as a result of the economic asistance program?

A: U.S. assistance in the short-term supports the Government of Haiti's transition to democracy. Haite has a new Constitution, but still needs economic aid to ensure a functioning government, food for its people, and economic reform. Immediate results of our economic assistance program include emergency food assistance for the hungry, a source of foreign exchange to keep international accounts open particularly for basic needs such as petroleum, and funds to keep the government operational.

U.S.A.I.D. has supported, with ESF balance of payments assistance, a GOH economic reform program to lay the solid foundation for sustained economic growth that benefits the average Haitian. So far, the program is working very well, and our continued assistance will help keep it on track.

The economic reform program has succeeded in eliminating the budget deficit by reducing expenditures and increasing revenues; improving financial controls over government expenditures by an anti-corruption effort; rewriting the tax code to encourage investment; lowering prices on basic consumer commodities such as vegetable oil by cutting back state monopolies; and liberalization of trade by reducing the number of imports subject to quantitative restrictions and through a lowering of tariff protection.

For several years, A.I.D. has been urging the GOH to reduce the export tax on coffee, thereby encouraging the growth of coffee which is a solid earner of foreign exchange for Haiti. Planting more coffee trees would also restrain hillside erosion. The conditionality for our current ESF economic recovery grant has led to the coffee tax being lowered from 19.5% to 10%. Its total elimination is planned for later this year.

Q: On the political side, what measures are being taken to assure that the Duvalierists will not manipulate the unstable situation to assure their political and economic status?

A: On March 29, 1987, the Haitian people voted by an overwhelming margin to approve a proposed constitution whose foremost features are guarantees to ensure democratic government as well as prevent the recurrence of a dictator such as Duvalier. The document contains numerous articles designed to limit political activity by notorious Duvalierists. The most important is Article 291, which bans for ten years any public office to those who: a) are "notorious for having been by their excess of zeal among the artisans of the dictatorship and its persistence during the last 29 years;" b) all who had control of public funds and are widely known to have illicitly enriched themselves; and c) "all persons denounced by public clamor for having practiced torture on political prisoners, during arrests and investigations or for having committed public assassinations." The provisional electoral council is charged with strictly applying this article.

In other articles, the cult of personality and use of effigies of living persons on any document, public edifice, etc. are forbidden, multiple public office-holding is banned, as are exceptional tax or customs exemptions, monopolies and pensions; all candidates previously office-holders must have received a clean bill of health for their prior management of public funds; all expropriations of real property under the last two governments are reversed unless they led to positive development in the last ten years; all politically-motivated confiscations and criminal and civil penalties from the Duvalier era are annulled. Beyond these specific provisions which seek to end practices of the Duvalier era, the entire document is suffused with provisions aimed at preventing practices which characterized the last regime.

Q: If the State Department would have to present a Determination to the Congress today, how would it differ from the December report, especially with regard to the timetable on the constitution and elections?

A: The most important change in a Determination submitted today compared to that submitted in December would be the democratic political environment created by the new Constitution. This document establishes the rule of law in Haiti and provides broad guarantees of human, civil, and social rights. The drafters' principal motivations were to instill democratic government to avoid the return of dictatorship, and to guarantee human rights.

Rural and local elections are scheduled for July and legislative and presidential elections for November. The Constitution established an independent electoral commission to oversee the elections. It is completely independent of the three branches of government.

Q: The Haitian Government has not requested military assistance. Is the Administration anticipating such a request in the near future? What would the justification be for military assistance and what would be its intended use? Do you beleieve it wise to provide military assistance to military and security forces that have had such a poor human rights record over the past decade?

A: The Government of Haiti has requested assistance from the United States in reorganizing the Haitian armed forces. Reorganization of the command and unit structures as an essential framework for re-equipment and training was a major topic of discussion between Haitian military leaders and the U.S. Government in early February, 1986. These discussions culminated in April, 1986, in a formal request from Brigadier General Jean Beliotte, Acting Chief of Staff of the FAD'H (Armed Forces of Haiti), to a U.S. delegation led by Assistant Secretary of State Elliott Abrams and Brigadier General Fred Gorden, USA, of the Office of the Deputy Assistant Secretary for International Security Affairs, Department of Defense, for U.S.

assistance in a comprehensive reorganization and rehabilitation of the FAD'H. This request in turn led to the August 1986 visit to Haiti of the U.S. military "Defense Requirements Survey Team" (DRST). A comprehensive survey and analysis of a foreign military's situation and needs by such a DRST is a prerequisite to the sort of assistance sought by the FAD'H.

We have monitored the situation in Haiti since the National Council of Government (CNG) stepped in last year to guide the transition of government. We have found that since substantial progress has been made on those issues of concern stated in the Special Foreign Assistance Act of 1986 (P.L. 99-529), continued aid is justified. Therefore, we have gone forward with the certification for continued military assistance.

The objective of the United States security assistance program is to provide non-lethal materiel and training to the Haitian armed services in order to encourage greater professionalization, following years of deliberate neglect by the Duvalier governments. Our policy is to support the military's own efforts to improve their skills to maintain order in a manner respectful of human rights. The training programs focus on professional development in the areas of civic action, procurement, control and storage of inventory, communications, transport, equipment maintenance and human rights standards.

We have discussed the nature of the security assistance program proposed for Haiti with many Haitians. Those who have demonstrated the greatest commitment to making the current transition to a freely elected democratic government have also shown that they understand the need for a professional army with good morale. They realize that the new government will face challenges from those who do not accept democratic principles. They know that a trained force is needed not only for the short term, but will also be essential to the elected regime which will take office on February 7, 1988.

We strongly believe that United States policy should reflect our support for the progress that has been made so far. Should the positive trend not continue, we would, of course, reassess our current assistance programs. For the moment, the modest United States security assistance provided to Haiti--less than two percent of our economic aid--can play a constructive role in building a professional Haitian armed forces able to support Haiti's progress toward democracy.

BOLIVIA

Q. What is the current U.S. formula for successful eradication of coca leaves in Bolivia and how will that be implemented?

A. THE FEBRUARY AGREEMENT BETWEEN THE USG AND THE GOB OUTLINES AN ANTI-NARCOTICS PROGRAM IN WHICH THE BOLIVIAN GOVERNMENT AGREED TO MAKE BEST EFFORTS TO SECURE PASSAGE BY THE BOLIVIAN CONGRESS OF A LAW WHICH WOULD OUTLAW ALL COCA IN EXCESS OF THE LIMITED AMOUNT CONSUMED IN TRADITIONAL USES AND UNDERTAKE A 12-MONTH PERIOD OF VOLUNTARY ERADICATION, FOLLOWED BY FORCED ERADICATION. THE TWO GOVERNMENTS TOGETHER WILL ENGAGE IN INTERDICTION ACTIVITIES AIMED AT KEEPING THE PRICE OF COCA LEAF LOW, THUS PROVIDING THE ECONOMIC INCENTIVE FOR FARMERS TO CEASE COCA PRODUCTION.

THE PROGRAM WILL BEGIN WITH CONCLUSION OF DISCUSSIONS ON TWO ANNEXES WHICH OUTLINE THE MEASURES THE GOB AND THE USG WILL TAKE TO CARRY OUT INTERDICTON, FACILITATE VOLUNTARY

ERADICATION, AND SPEED DEVELOPMENT OF REGIONS IMPACTED BY THE LOSS OF COCA REVENUES. SUBJECT TO THE CONGRESSIONAL APPROVAL OF SOME OF THE FUNDING, THE U.S. WOULD PROVIDE $115 MILLION OVER AN EIGHTEEN MONTH PERIOD TO THE VOLUNTARY ERADICATION AND DEVELOPMENT PORTIONS OF THE PROGRAM. THE GOB IS SEEKING ADDITIONAL FINANCIAL ASSISTANCE FROM EUROPEAN DONORS; THE FRG AND ITALY HAVE PROMISED FINANICAL ASSISTANCE FOR NARCOTICS CONTROL.

Q. What is the U.S. government's position toward the Bolivian-U.S. task force recommendations on eradication of coca crops?

A. THE U.S. TASK FORCE WHICH HELD DISCUSSIONS WITH THE GOB IN OCTOBER, 1986, INCLUDED REPRESENTATIVES FROM STATE, USAID, DOD, AND DEA. OUR REPRESENTATIVES REACHED AN AD REFERENDUM AGREEMENT ON MEASURES WHICH THE GOB, WITH USG AND INTERNATIONAL SUPPORT, WOULD TAKE TO ERADICATE ALL COCA USED IN THE MANUFACTURE OF COCAINE. USING THE AD REFERENDUM FORMULA AS A BASIS FOR DISCUSSIONS, THE GOB AND THE US CONCLUDED A FRAMEWORK AGREEMENT (THE DECLARATION OF PRINCIPLES OF NARCOTICS COOPERATION) IN FEBRUARY. THIS AGREEMENT WILL GO INTO EFFECT WHEN DISCUSSIONS ARE CONCLUDED ON TWO IMPLEMENTING ANNEXES.

Q. Does the U.S. position in any way differ from what the Bolivian Government recommendations are for eradication of coca leaves in terms of methods, time table, and means of payment? If there are differences, how can those be resolved?

A. BOTH GOVERNMENTS AGREE ON THE OBJECTIVE AND METHOD: TOTAL ERADICATION OF NON-TRADITIONAL COCA CULTIVATION THROUGH INTERDICTION, VOLUNTARY AND FORCED ERADICATION. THE GOB WANTS TO KEEP THE MECHANISM AS SIMPLE AS POSSIBLE AND BELIEVES THAT FARMERS WHO VOLUNTARILY ERADICATE THEIR COCA CROPS MUST RECEIVE CASH PAYMENTS TO SUPPORT THEM WHILE THEY PLANT OTHER CROPS OR SEEK ALTERNATIVE EMPLOYMENT. THE USG IS UNWILLING TO FUND CASH

PAYMENTS BECAUSE TO DO SO MIGHT SET A PRECEDENT FOR OTHER COUNTRIES AND MAY VIOLATE THE FOREIGN ASSISTANCE ACT PROHIBITION ON PAYMENT FOR ERADICATION OF DRUG CROPS; WE HAVE SUGGESTED THAT EACH FARM FAMILY THAT ERADICATES ITS COCA CROP RECEIVE THE EQUIVALENT OF $1,650 IN COMMODITIES. PARTICIPATING FARMERS WOULD RECEIVE VOUCHERS WHICH COULD BE REDEEMED IN LOCAL STORES FOR SEED, TOOLS AND SMALL AGRICULTURAL MACHINES. THAT THE ANNEXES WOULD BE COMPLETED BEFORE THE END OF APRIL.

Q. What are the results of the Bolivian-U.S. interdiction raids on cocaine laboratories?

A. WHEN US TROOPS WITHDREW FROM BOLIVIA IN MID-NOVEMBER, TWENTY COCAINE HCL LABS AND HUNDREDS OF TONS OF CHEMICALS HAD BEEN DESTROYED. MOST IMPORTANTLY "BLAST FURNACE" (THE NAME OF THE US MILITARY SUPPORT MISSION) FORCED A HIATUS OF COCAINE TRAFFICKERS, THEREBY CURTAILING DEMAND FOR COCA LEAF AND REDUCING PRICES BELOW PRODUCTION COSTS. THE BOLIVIAN POLICE, WITH U.S. TRAINING AND EQUIPMENT, ARE NOW CARRYING OUT A DRUG INTERDICTION PROGRAM WHICH HAS RESULTED IN THE DESTRUCTION OF SEVERAL HCL LABS AND THE ARREST OF SEVERAL TRAFFICKERS.

WITH THE DEPARTURE OF US TROOPS, HOWEVER, TRAFFICKERS RETURNED AND DEMAND FOR LEAF INCREASED CAUSING A RISE IN THE PRICE OF LEAF. THE PRICE HAS FLUCTUATED IN RECENT MONTHS. THE GENERAL LEVEL HAS BEEN WELL BELOW THE PRE-BLAST FURNACE LEVEL AND BELOW THE COST OF BRINGING NEW LAND INTO PRODUCTION. THE PRICE, HOWEVER, HAS BEEN HIGH ENOUGH TO REWARD FARMERS FOR HARVESTING EXISTING COCA CROPS. NEVERTHELESS, INTERDICTION EFFORTS HAVE STEADILY IMPROVED AS BOLIVIAN FORCES HAVE GAINED IN EXPERIENCE AND KNOWLEDGE. WE EXPECT THEIR EFFORTS WILL DRIVE THE PRICE DOWN FURTHER.

RESPONSE OF DEPARTMENT OF DEFENSE TO QUESTION ASKED BY COMMITTEE

FMS FOR

QUESTION: AWACS or HAWKEYE: Which system do you believe is more appropriate for Pakistan's security needs, the AWACS system or the HAWKEYE system? While balloons are appropriate along the border with India, an airborne system is required for the mountain regions along the Afghan border. How do you compare these to airborne systems in terms of capability? Could Pakistan obtain financial assistance from third countries in order to pay for such a system?

RESPONSE: Successive professional military studies from 1984 to 1986 have validated a legitimate airborne early warning (AEW) requirement in Pakistan. The issue has been debated on both military and political merits, and combinations of inaccurate and incomplete information and assumptions have distorted the real significance of the presence in Pakistan of an AEW capability.

U.S. military experts have recommended that Pakistan buy additional ground radars, that Pakistan purchase a small number of aerostat radars mounted on tethered balloons, and -- to counteract the rugged terrain north of Peshawar -- Pakistan acquire airborne early warning aircraft in limited numbers. North of Peshawar, the extreme ruggedness and nature of the terrain, where mountain ranges generally slope upward into Afghanistan, greatly restrict the utility of an aerostat radar or added ground-based radars. Tethered balloons have a maximum altitude of 15,000 feet above mean sea level (MSL). Any positioning of balloons in that area must gain an altitude advantage over the terrain screening. Balloons with radars trying to look over nearby peaks of 15,000 feet or above are ineffective.

Terrain masking would impair the ability of an AEW aircraft somewhat but would be not nearly as significant for the altitudes of 30,000 feet normally employed by AEW aircraft.

The GOP did not include an AEW system on its list of candidates for funding within the proposed $290 million FY88 foreign military sales credit program. While we cannot speculate on the specific financing the Pakistanis may have in mind, indications are that if they elect to purchase an AEW system they may do so using domestic or third-country funding sources. We are not privy to information on those sources.

RESPONSE OF GEN. JOHN R. GALVIN TO QUESTIONS ASKED BY THE COMMITTEE

Q. Changes in Exisiting Waiver Authority for Safety of Flight Equipment

The Administration's bill would seek changes in an existing provision of law which already permits the provision of safety-related equipment for previously U.S. supplied F-5 and A-37 aircraft. Why is such a change sought? What assistance would you like to provide that cannot already be provided under PL 99-83? What assistance, sales or transfers would still be prohibited?

A. Existing legislation allows only for the sale, or the licensing for export, of cartridge actuated devices, propellant actuated devices, and technical manuals for F-5 E/F or A/T-37 aircraft sold to the Chilean Air Force by the U.S. before January 1, 1976, so long as the items are for the purpose of enhancing aircraft crew safety. As presently worded, law prohibits the U.S. from transferring other safety of flight items that would insure against catastrophic aircraft failure likely to result in death of the pilot, who would not have time to escape, and the death or injury of innocent civilians. The categories of: airframe structural components; equipment related to aircraft lighting; fuel and life support (oxygen) systems; aircrew seat ejection components; hydraulics, pneumatics; landing gear; arresting gear and drag chutes; instrumentation, and communication are necessary for safety of flight along with specialized tools and manuals to repair aircraft systems as required by sound engineering and maintenance practice. The proposed changes are in compliance with the spirit of the current law, and do not contradict what we believe was the intent of Congress in providing the original waiver authority.

The minimum safety of flight items we seek to have approved for transfer are the following:

F-5 E/F

- Angle of Attack Gauge: Critical instrument used in establishing proper inflight maneuvering and landing parameters (part no. 30G1).
- Attitude Directional Indicator: Principal instrument used to control aircraft attitude during weather or night flying conditions (part no. 14-64905-1).
- Cabin Temperature Control Unit: Loss of cockpit temperature control could expose pilot to temperatures of less than -45 C or more than +160 C (part no. 751872-3).
- Cabin Altimeter: Without a reliable cabin altimeter, pilot could experience prolonged high pressure altitudes causing incapacitation and eventual death from nitrogen narcosis (bends) or other aviation associated illnesses (part no. 2109-2A).
- Windscreen Panels: Cracked or crazed plexiglas windscreen panels restrict inflight visibility, particularly during inclement weather or at night, and are more susceptible to catastrophic failure in the event of a bird strike (part no. 14-13002-1).
- Air Data Computer: Central data source for aircraft performance instruments (part no. 948312-6-1).

A/T-37

- Altitude Encoder: Permits safe separation (i.e., formation flying) from other aircraft in a radar environment (part no. C415421000).
- Windscreen Panels: Same information as above.

In addition, both the F-5 E/F and A/T-37 require hundreds of Safety Time Compliance Technical Orders (TCTO) and the parts/special tools required to comply with these TCTOS. These TCTOs and necessary maintenance tools are expressly for safety of the aircraft and crew. Failure to accomplish required safety compliance maintenance could result in the catastrophic loss of aircraft and life. Samples of TCTOs are at tabs A-D.

Items to be Prohibited

Items that would be specifically prohibited from transfer to Chile are: all weapons and systems related to weapons control, e.g., target acquisition radar; and systems pertaining to the suspension (carrying of weapons on board aircraft) or release of weapons, e.g., bombs, missiles, etc.

Sale of F-5s to Honduras

Question: What aircraft currently in the region (Guatemala, El Salvador, Costa Rica, Honduras, Nicaragua) would be comparable in technological sophistication to the F-5E?

Answer: The F-5E/F is not technologically sophisticated. The F-5E/F incorporates early 1970's technology (was first flown in 1972 - 15 years ago), and has already been sold to Mexico, Brazil, and Chile in the Western Hemisphere. The A-37, possessed by El Salvador, Honduras and Guatemala, was first flown in 1963, 24 years ago. On the other hand, Nicaragua has the MI-25 attack helicopter, which is based on mid to late 1970's technology, the Soviet's best combat-tested counterinsurgency combat platform, heavily used against the Afghan-rebels. While a direct comparison of the F-5E/F and the MI-24 is difficult to make, the MI-24 is more technologically advanced than any other aircraft in Central America and has the capability to attack targets within the neighboring countries of El Salvador, Honduras and Costa Rica.

NOTE: F-5F is a two seat version of the F-5E.

Question: What are the major differences between the F-5E and the KFIR C-2?

Answer: The basic KFIR C-2 is functionally and aerodynamically superior to the F-5E aircraft. The C-2 has an inertial navigation system (INS) which aids in accuracy of bomb delivery. The F5-E can be fitted with an INS, but USAF F-5's are not so equipped. Operationally the radar systems are comparable although the F-5 radar range is theoretically longer. However, the Heads Up Display (HUD) and sighting systems give the C-2 overall superior air to air capabilities. The C-2 also has superior acceleration, maneuverability, and stability to the F-5E in the air to air interceptor role. The bomb load of the C-2 exceeds the F-5E and, air defense missile capabilities are roughly equivalent.

Question: Which aircraft is superior?

Answer: The Israeli KFIR C-2 exceeds the F-5E is capability. The KFIR capability approaches the lower levels of the F-16 or F-20 fighters.

Question: What military requirements in the region dictate that the Honduran Armed Forces should be provided with this aircraft?

Answer: The Honduran Armed Forces have traditionally relied upon their air force to provide a major component of their national defense. By maintaining a capable air force, they are able to ensure their security without building a large ground force which their population base could not easily support. The Nicaraguan military has increased its size and capabilities greatly since 1979. The Sandinista force represents a threat that Honduras cannot match with ground forces, due to domestic economic and political constraints. For that reason, it is necessary for the Honduran Air Force to replace their aging Super Mysteres with a newer, multi-purpose aircraft that will provide a deterrent to the Sandinista threat for the foreseeable future.

Q: Is there concern that provision of such sophisticated aircraft would provide the Nicaraguans with the justification for requesting the MIG-21 from the Soviets?

A: -- The Sandinistas have no reason to increase their forces in response to this program. The Honduran Air Force poses no threat to Central American stability. The Sandinista Military build-up is the threat to regional peace and stability, underscoring the importance of maintaining a viable Honduran Air defense capability.

-- As for the introduction to Nicaragua of military jet aircraft, such an action would further disrupt the regional military imbalance in Nicaragua's favor and would be unacceptable.

Q: What has been the reaction of other governments in the region, such as El Salvador to the proposed sale?

A: We have not officially notified other governments in the region of the proposed sale, and are unaware of any offical reaction to the sale. No adverse reaction to the sale from the democratic Central American countries is anticipated. However, I cannot speak for the governments of other countries.

Request for IMET for Chile

Current law requires a Presidential certification regarding democratic process, human rights observance, and progress in prosecuting those responsible for the Moffitt and Letelier murders in 1981, prior to the provision of any military aid, sales or credits to Chile. Do you believe that under the current circumstances such a certification is justified by the facts? Why is the Administration seeking, at this time, to undertake any military training relationship ($50,000 IMET) with the Chilean armed forces? Does the Administration have plans to submit a certification, pursuant to Section 726 of the International Security and Development Cooperation Act of 1981?

A: We do not believe conditions warrant certification at this time. For FY 1988 however, we do not want to rule out the possibility that conditions in Chile may change so that certification under Section 726 could be considered-- in close consultation with Congress. We believe that the legislative restriction on IMET training to Chile is ill-advised, and counterproductive to promoting U.S. policy objectives.

If implemented, an IMET program would be consistent with our policy of encouraging military professionalism, a dialogue within Chile on the transition to democracy and improved human rights practices. Continuing to deny military training to the Chilean Armed Forces will not, if nearly a decade of experience is any guide, influence the human rights practices of the Chilean government. Professional training may however influence attitudes and perceptions within the Chilean military. Resuming limited military training would enable us to expand our contacts with the Chilean military, which would over time not only serve our security objectives, but also our interests in democracy and human rights.

○